

**Robert Schuman Centre for Advanced Studies**

**“Apples and Oranges”.  
Prospects for the Comparative Analysis  
of the EU and NAFTA  
as Continental Systems**

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## **ABSTRACT\***

The signature by Mexico, Canada and the United States of the North American Free Trade Agreement in 1993 established an institutionalized, continent-wide economic region roughly equivalent in size and population to the European Union. By its very creation, NAFTA opened up the possibility for scholars of European integration to add a comparative dimension to their research.

Starting with the question whether the differences between North America and Europe are so great as to preclude their meaningful comparison (as implied by the expression, “apples and oranges”), this paper argues that there are enough commonalities between the two continental systems for the comparison of their differences to be analytically and intellectually fruitful. It goes on to propose many areas which Euroscholars might consider for future comparative study and offers as an example a case study by Jean Cushen of the differential impacts of the EU and NAFTA on Ireland’s and Canada’s labour markets.

It would be difficult for me to list all the colleagues – scholars and students – who have helped me develop these ideas over the past few years. A general word of thanks must go to the European University Institute and its Robert Schuman Centre whose hospitality for a year exposed me to the latest in Euroscholarship. Anonymous readers of an earlier version of this manuscript directed me to make substantial changes – hopefully for the better. Specific thanks for detailed comments on this and related papers are owed Daniel Drache, Liesbet Hooghe, Robert O’Brien, and Louis Pauly. Further suggestions and reactions would be gratefully received:

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**“It’s a question of apples and oranges!”** This well-worn phrase from the storehouse of Anglo-Saxon folk wisdom expresses the common sense position that one can only compare objects within a single category. Differences take on meaning when they connect through some overarching similarity. It follows that to try to compare incomparable objects is an exercise in futility.

Such popular discourse begs the important question about what constitutes commonality. Incomparable objects are an exercise in futility. Granted that apples may not be comparable with oranges *qua* citrus fruits. But apples and oranges can be compared in their taste if they are viewed as fruit, in their nutritional value if they are seen as food, or in their weight if they are taken as physical objects. In other words, what makes two dissimilar objects comparable is an overarching category that links them in some intellectually pertinent shared attribute.

It is in this optic that I want to address scholars of the European Community who have tended to assume in their work that their subject is *sui generis*. They might well be tempted to dismiss any effort to juxtapose the new entity called the European Union with the North America created by the North American Free Trade Agreement as an exercise in futility, just another “question of apples and oranges.” Given these systems’ obvious dissimilarity in a myriad respects, the question I want to address is whether they demonstrate sufficient analytical commonalities for the comparison of their differences to be academically valuable – whether cognitively or normatively. In the first place I would like to establish whether the act of setting some aspect of one regime against the same aspect of the other increases our understanding of either or both systems and of the category that links them. Beyond the cognitive pay-off from the exercise of comparison there may also lurk a normative value: Can something be learned from one system’s practices that could usefully be applied to those of the other? Could a third grouping of states that is intent on constructing a collective structure learn from the EU-NAFTA comparison how to resolve certain problems of organizational design?

I take NAFTA as my prime object for reflection only because this is the area of my own research interest. My purpose is to make a case for comparing the new “second generation” continental systems that have emerged in conjunction with the neo-liberal phase of globalization. I do not intend to deny but rather to anticipate inter-continental comparisons incorporating other groupings of states such as the Association of South-East Asian Nations (ASEAN) or Latin America’s Southern Economic Market (Mercosur).

Until fifty years ago, Europe was seen less as a system in itself than as a site for inter-state relations, whether those of war or those of peace. Since 1952 scholars of the post-war European community have understandably treated their subject as unique since there existed no other remotely similar grouping of contiguous states formally linked by an inter-governmental, treaty-mandated, institutional superstructure. While no collectivity of geographically proximate states can yet rival the European Union in the strength of its institutions or the sophistication of its jurisprudence, the handful of free-trade areas or common markets that formed up elsewhere on the world stage in the 1990s is transforming the EU's international context. The case I want to make is based on the presumption that the very existence of these new continental regimes *ipso facto* transforms the intellectual context for scholarship about the EU. From a one-off, the EU is becoming one-among. It may still be *primus inter pares*, but *pares* there are, and they will have to be considered more and more by scholars working on the *primus*. Fully to comprehend the distinctiveness of the EU will now require a comparative knowledge of other economic blocs, however they may be constituted. The opposite is even more obvious. Familiarity with the EU as prototype is a necessary condition for understanding the distinctive qualities of any of the newer continental regimes.

For its part, North America also existed long before “free trade” was negotiated, even if the Mexican revolution of 1917 partly rolled back the forces of Americanization south of the Rio Grande and then tried to keep them at bay till the 1970s. Although Canada's economic integration and cultural assimilation into the American market has been proceeding for over a century, “North America” was generally invisible to the social scientific eye because the weakly institutionalized Canadian-American entity was more latent than manifest. The North American system's elites doubled as national elites, its institutions were largely non-existent, its policy making was not formalized, and its identity as a self-conscious community was only rarely articulated even if it operated in many respects as a single, integrated market. As a result, little attention was paid in academe to a “continentalism” that was more *de facto* than *de jure*.<sup>1</sup>

Indeed, the very words “continent”, “continental”, or “continentalism” have never enjoyed intellectual status in North American social science. Continent is a geographer's concept connoting one of the half dozen major land masses on the face of the earth. In meteorology the word describes the climates of landlocked areas characterized by extremes of summer heat and winter cold because they are far from the moderating effects of a temperate ocean. Historians have studied continental North

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<sup>1</sup> Stephen Clarkson, “Continentalism: the Conceptual Challenge for Canadian Social Science”, *The John Porter Memorial Lectures 1984-1987* (Toronto: Canadian Sociology and Anthropology Association 1988), 23-43.

America in terms of its ever-receding frontier<sup>2</sup> and demographers have defined the continent's national frontiers to characterize the population on either side as the "nine nations of North America"<sup>3</sup> without the word becoming a key heuristic tool in either discipline. In economics and politics the concept has had equally little analytical power outside Canada where it entered partisan – but not academic – discourse as a nationalist epithet to castigate the position of such economists as W.A. Mackintosh<sup>4</sup> and Harry Johnson<sup>5</sup> who believed that increased economic and political integration with the United States was both unavoidable and desirable. In Europe the British use of the term has been exclusive: "the Continent" referred to the area where non-English speaking Europeans lived – on the other side of the English Channel. "Region" has been the preferred word in international relations scholarship which confusingly uses the same labels – "regional", "regionalism", or "regionalization" – that are employed by scholars like Ohmae to denote the quite different sub-national phenomenon of provinces, Länder or states in a federal union.<sup>6</sup> In other disciplines "continental" is now cropping up on occasion.<sup>7</sup> Less subject to confusion is "trade bloc" which can designate any grouping from subcontinental (the Andean Union or Mercosur) through continental (EU and NAFTA) to intercontinental (Asia Pacific Economic Cooperation or APEC).

This essay's major premise is that there is enough in common between the EU and the present generation of trade blocs to warrant considering how best to pursue their systematic comparison. The text cannot attempt to reflect on the colossal and dynamic corpus of Europeology. It cannot even do justice to the much smaller, though rapidly growing body of scholarship exploring the many facets of North American integration. It does aspire to address the conceptual challenges involved in undertaking

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<sup>2</sup> Frederick J. Turner, "The Significance of the Frontier in American History", American Historical Association, 1893.

<sup>3</sup> Joel Garreau, *The Nine Nations of North America* (Boston: Houghton Mifflin, 1981).

<sup>4</sup> Mackintosh believed that Canada was a nation created in defiance of geography. For him the continent meant Canada plus the USA. "Our economy", he wrote in 1959, "is closely, increasingly closely, geared to that of the United States. We need United States markets. We need United States capital. We need United States industrial 'know-how.' Clearly our economic policy will be shaped by our needs". Cited in Gordon Laxer, *Open for Business: The Roots of Foreign Ownership in Canada* (Toronto: Oxford University Press, 1989), 25.

<sup>5</sup> For him, too, the continent did not include Mexico. Cited in Stephen Clarkson, "Continentalism", *The Canadian Encyclopedia* (Edmonton: Hurtig, 2nd. ed., 1988), 511.

<sup>6</sup> Compare the sub-national sense of 'region' in Ken'ichi Ohmae, *The End of the Nation State: The Rise of Regional Economies* (New York: Free Press, 1995) with the plurinational sense of 'region' in E.D. Mansfield and H.V. Milner (eds.) *The Political Economy of Regionalism: New Directions in World Politics* (New York: Columbia University Press, 1997).

<sup>7</sup> Alan Lipietz, "The Post-Fordist World: Labour Relations, International Hierarchy and Global Ecology", *Review of International Political Economy* 4:1 (Spring 1997), 1-41.

scholarly comparisons between the historically senior system in Europe and the more junior regimes that have been born in North America, in South-East and Central Asia, and South America in the last ten years.

As this working paper is directed at a readership that is more steeped in European than North American scholarship, what follows is a discussion of the literature on continental regimes (I) and an exploration of the new North America (II) presented as a background for assessing the problems involved in comparing continental systems (III). In section IV Jean Cushen, a student doing the Trans-Atlantic M.A. in Public Policy (TAMAPP), compares the experience of Ireland and Canada with respect to the impact of the EU and NAFTA on these countries' labour relations. I hope that the general discussion and the case study will serve as an overview surveying the terrain for such researchers as future TAMAPP students who are considering whether to make the plunge into some kind of transoceanic comparative study.

## **I CONTINENTALISM AND POLITICAL SCIENCE: A LOOK AT THE LITERATURE**

If comparing trade blocs is only now appearing as an alluring scholarly niche at the interstices of comparative politics, international relations, and global political economy, it is not because the existence of transnational systems is recent or that interest in contrasting their characteristics is novel. For centuries the globe's vast land masses have witnessed cultural, commercial, and migratory intercourse among the various peoples spread over their territories. "Europe" as a geographical, cultural, and political concept traces its roots back two millennia before the Enlightenment.<sup>8</sup> The consolidation of nation states and the erection of national boundaries during the past few centuries did not stop transnational interactions at the societal level. But such sub-political, extra-economic reality has been of marginal interest for social scientists. They have tended to study the more easily documentable intergovernmental relationships that states sustain with other states and the statistically analysable trade or investment flows that economies foster with other economies.

The recent crystallization of several continental, sub-continental, and inter-continental systems affects a number of scholarly disciplines. International relations specialists need to include in their field of vision how the EU and its member states deal with such overseas continental groupings as NAFTA, Mercosur, ASEAN, and

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<sup>8</sup> Luisa Passerini, *Europe in Love, Love in Europe: Imagination and Politics in Britain Between the Wars* (London : I.B. Tauris, 1999).



APEC in their foreign economic and political relations.<sup>9</sup> International political economists also have to encompass these emerging regimes as an additional factor in their analysis of the reconfiguration of the world's economic spaces.

It is the constitutionalization of inter-state arrangements among contiguous groupings of countries in the form of visible institutions established with decision-making procedures, dispute-settlement mechanisms, and considerable public legitimacy that has brought the comparing of economic blocs into focus as a candidate for legitimate analysis by social scientists. North America started to develop scholarly respectability only when the Canada-United States Free Trade Agreement (CUFTA) was signed in 1989, inducing Duke University, for example, to change its Canadian studies program into a North American Studies Center.<sup>10</sup> However insubstantial may be the formal structure established five years later by the successor arrangement which broadened CUFTA's scope to include Mexico and deepened its disciplines, NAFTA's weighty text nonetheless proclaimed the birth of a new and distinctive continental regime, causing the Universidad Nacional Autónoma de México, in another instance, to rechristen its *Centro de Investigaciones Sobre Estados Unidos* into a *Centro de Investigaciones Sobre América del Norte*.<sup>11</sup>

A glance back over the decades since World War II shows that the literature on what we could now call "comparative continentalism" has evolved through two distinct stages. For the first forty years, comparative analysis was introverted. In sharp contrast with the lack of academic concern during the Cold War about North America as a system, the European Community's (EC) vicissitudes have been the subject of a burgeoning literature ever since the European Coal and Steel Community was created by treaty. The bulk of these studies, whether functional, neo-functional, or inter-governmental, naturally centred on this unique process of multi-state integration. Their main comparative component was *intra-continental*: the characteristics of one EC country within the system were set against those of another member state, producing works typologizing the party politics, industrial policies, or welfare systems of Europe's various components.

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<sup>9</sup> Takatoshi Ito and Anne O. Krueger (eds.) *Regionalism versus Multilateral Trade Arrangements* (Chicago: University of Chicago Press, 1997).

<sup>10</sup> Donald K. Alper and James Loucky, "Introduction: North American Integration, Paradoxes and Prospects", *American Review of Canadian Studies* 26:2 (Summer 1996), 177-182.

<sup>11</sup> Centro de Investigaciones Sobre América del Norte, *Informe anual 1989-1997* (México: Universidad Nacional Autónoma de México, 1997).

The precursor of *inter-continental* comparisons was the scholarship that contrasted the evolving European Community with one or other of the federal states in North America. In some fields such as anti-trust<sup>12</sup> or agricultural subsidies<sup>13</sup> where policy-making at the European level is almost as coherent as at the federal level in the United States of America, comparison had significant academic value. In other aspects such as federalism, the USA offered more a vision for a highly centralized United States of Europe towards which some of the dreamier Europhiles aspired<sup>14</sup> than a regime similar enough to permit fruitful comparative analysis. Definite limitations restricted the utility of setting a highly homogenous, if federal, superpower against a quite imperfectly integrated grouping of heterogeneous sovereign states which still boasted separate currencies and cultures, distinct languages, different policy processes, and dissimilar legal systems.

Because of their high degrees of centralization, neither US nor Mexican federalism could yield deep insight as a matrix for studying an EC which operated supranationally (civil servants in the European Commission or judges in the European Court of Justice (ECJ) owing their allegiance only to the continental regime), intergovernmentally (national politicians defending their country's interests in the Council of Ministers), infranationally (state civil servants developing a common culture with their counterparts from other member states in Brussels' labyrinthian comitology), transnationally (interest groups, lobbies, unions, and fledgling parties operating at the pan-European level), but not democratically in the sense that a directly elected legislature and executive were responsible for making the Community's laws. This is not to argue that the American system is without relevance to European scholarship. On the contrary, it remains so powerful as an intellectual construct that it still serves, even in its lean and mean neo-liberalism, both as a model for those preaching the value of flexible labour markets and as a dystopia inspiring many Euroscholars to search for ways to avoid following the US lead.

Given the extreme decentralization of power in the Canadian federal system, transatlantic comparisons along the dimension of multi-level governance are likely to be more fruitful with Canada than with the United States, particularly when executive

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<sup>12</sup> Joan Bodoff, "Competition Policies of the US and the EEC: an Overview", *European Competition Law Review* (1984), 51-80.

<sup>13</sup> Grace Skogstad, "Ideas, Paradigmatic Stability and Change: Agricultural Exceptionalism in the European Union and the United States", *Governance* 11:4 (1998), 463-90.

<sup>14</sup> Edmondo Paolini, *Altiero Spinelli e l'unificazione dell'Europa* (Roma: Movimento Federalista Europeo, 1989).

decision-making is at issue.<sup>15</sup> The most pertinent lesson Canada may currently have to offer Europe is the massive fiscal equalization needed to compensate economically disadvantaged provinces whose policy flexibility is shackled by a single currency managed in a virtually independent central bank. Certainly, how to govern a single heterogeneous market and how to manage a common currency remain pressing problems both for the EU and for Canada. The latter's experience may be of some relevance to the former despite the differences in scale between these two confederations.<sup>16</sup> Looking in the other direction, Europe's institutionalized confederalism has been championed as a model for constitutional reform by some Québec nationalists searching for a middle ground short of outright sovereignty for Québec – even though many constitutional scholars argue that the Canadian status quo already gives the province greater jurisdictional autonomy than that enjoyed by member-states in the EU.<sup>17</sup>

Serious research on North America prior to CUFTA and NAFTA took place in two completely disconnected fields, in neither of which Europe provided an intellectual foil. The study of Mexico's interactions with the United States focused on the labour-market and social-policy implications of migrant workers and the free trade industrial zones in the Mexican border states known as *maquiladores*, but the comparative potential offered by Europe's guest worker problems went unexploited. In the broader area of Canada-US relations, neo-functional literature on European integration was of some, but not seminal interest.<sup>18</sup> Integration of the Canadian into the American system was analyzed using an Eastonian social-systems approach,<sup>19</sup> a structuralist framework based on a staples-based dependency relationship and a concentration on US-controlled branch plant industrialization,<sup>20</sup> or an international-relations paradigm

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<sup>15</sup> Gretchen MacMillan and Nancy Lareshen, "The Impact of Executive Decision-making in Federal and Quasi-Federal Units: A Comparison of Canada and the European Community", Paper presented to the Canadian Political Science Association, May 1990, 33 pages.

<sup>16</sup> Peter Leslie, "Governing the Economy' within Economic Unions: Canada, the EU, and the NAFTA", unpublished paper, Queen's University, 1996, 29 pages.

<sup>17</sup> Richard Simeon, "The Evolution of the Canadian Federation and the European Union", in J. Christiansen (ed.) *Canada and the European Union* (Ottawa: Delegation of the Commission of the European Union, 1995), 38-59. Canada-EU comparison is not just a scholarly activity. In federal-provincial discussions concerning tax reform, the province of Ontario's ministry of finance investigated the European Union's experience in preparing its negotiating brief.

<sup>18</sup> Andrew W. Axline (ed.) *Continental Community? Independence and Integration in North America* (Toronto: McClelland and Stewart, 1974).

<sup>19</sup> John H. Redekop, "A Reinterpretation of Canadian-American Relations", *Canadian Journal of Political Science* 9:2 (June 1976), 227-243.

<sup>20</sup> Kari Levitt, *Silent Surrender: The Multinational Corporation in Canada* (Toronto: Macmillan of Canada, 1970).

applying neo-realist or liberal institutionalist hypotheses concerning government-to-government intercourse within disparate dyads.<sup>21</sup> Connections between Mexico and Canada being minimal, there was an equally low academic interest in comparing two countries whose only commonality – an asymmetrical relationship with the super-power that lay between them – was not mined for its scholarly lode. North American studies meant either MexAm or CanAm. In neither field was Europe a dominant reference point for generating comparative insights.

During the late 1980s and throughout the 1990s, sovereign states seeking greater economic security in conditions of failed Keynesianism and heightened vulnerability to global market pressures grouped together in Australasia and South-East Asia, Latin America and North America. This second-generation of international economic regionalism opened up the possibility for a second stage of more balanced, if more confusing, comparative analysis of these emerging continental orders.<sup>22</sup> This work promises to be more balanced because it involves comparisons within a common category – one basket of apples with another such basket or baskets. It will likely be more confusing because of these systems' great institutional, social, economic, cultural, and geographical diversities.

One litmus test for determining whether a particular contiguous grouping of states is a valid candidate for comparison with other economic blocs is whether it can be described as constituting a continental model in the same way that it makes sense to talk analytically of a European model. (Mutability, national divisions, and tremendous conjunctural uncertainties complicate thinking about the European Union. Not only is its membership constantly expanding and its boundaries consequently changing, but its history can be read in a variety of ways, and even the present implications of its institutional deepening with monetary union are fiercely debated among supranationalists, intergovernmentalists and neo-institutionalists.<sup>23</sup> Despite these analytical conundrums, non-Europeans at least talk quite naturally of a European “model”<sup>24</sup>). As we inquire in the next section to what extent the 1994 agreement

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<sup>21</sup> David DeWitt and John Kirton, *Canada as a Principal Power* (Toronto: Butterworth, 1982).

<sup>22</sup> Christian Deblock and Dorval Brunelle, “Le régionalisme économique international: de la première à la deuxième génération”, in Michel Fortmann et al. (eds.) *Tous pour un ou chacun pour soi: promesses et limites de la coopération régionale en matière de sécurité* (Québec: Institut québécois des hautes études internationales, 1996).

<sup>23</sup> Dieter Wolf and Bernhard Zangl, “The European Economic and Monetary Union: ‘Two-level Games’ and the Formation of International Institutions”, *European Journal of International Relations* 2 (1996), 355-393.

<sup>24</sup> George Ross, *Jacques Delors and European Integration* (New York: Oxford University Press, 1995).

between the United States, Canada, and Mexico has catalyzed a continental model from the three separate states that constitute NAFTA, we will identify ways in which to engender more symmetrical scholarly comparison with the EU.

### **In Search of a North American Model**

The North American Free Trade Agreement formally signalled that a single, continent-wide regime of accumulation was to be superimposed on the three separate national economies which occupied the huge land mass stretching north from the Guatemalan border to the North Pole. This system, which in its economic dimension was the aggregation of thousands of firms operating across the two national boundaries as corporate citizens of the greater North America, appeared to have in NAFTA the rules that these businesses required to promote mobility, efficiency, and – in some sectors such as automobiles and textiles – rules-of-origin protection against extra-continental competition. This reality immediately suggests not just ways in which North American capitalisms could be compared with those of Europe<sup>25</sup> – an exercise that could be assayed in the past – but how the rules and processes established in NAFTA and the various treaties that created the EU are affecting the evolution of these two mega-economies, their corporate players, their social partners and the economic status of their citizens.

If we turn to historical geography, we will soon realize that North America, like Europe, is not a fixed quantity. If NAFTA is enlarged by the accession of Chile, will Chile become part of our notion of North America? What of the post-Castro Cuba for which the Helms-Burton Act prepares the way? And the Caribbean basin, not to ignore the possibility of an independent Québec knocking on NAFTA's door? In sum, the very earth – and water – of North America is a changeable entity.

North America's mutability offers as a different scholarly field the morphology of continental systems. Its simple, rapid growth from two to three members contrasts with the far more laboured and convoluted evolution of the European Community's founding six to the European Union's present fifteen. NAFTA's potential for expansion to the south and in the Caribbean Sea can be set against the EU's enlargement in central and eastern Europe and the Mediterranean Sea.

Turn now to history. Prior to their formalization with visible institutions, each continent experienced a long process of informal integration that was riven with conflict. What is North America's past whose understanding is surely necessary for the

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<sup>25</sup> Michel Albert, *Capitalism against Capitalism* (London: Whurr, 1993).

present NAFTA to be comprehended properly? If we were to revisit decades of political and social analysis, we would speedily be reminded that Mexico is not just very different from the United States in its culture, politics, economy, and demography but also that its relations with the US over many decades have been more antagonistic than amicable.<sup>26</sup>

Canada is far less distinct from the US than is Mexico in its history, values, institutions, and sociology, but even if in many respects it has become a northern extension of more powerful US-driven social, economic, and cultural subsystems, it has nonetheless persisted for almost two centuries since the war of 1812 when British forces frustrated the American attempt to subjugate the colonies along its northern border. As a Dominion, and, ultimately, an autonomous federal state, it quietly determined to remain separate from the USA. Indeed, it is resistance to American expansionism that provides the common thread tying Mexico and Canada together in a common narrative of the North American periphery until the end of the Cold War.

This continental history poses some uneasy questions for understanding NAFTA. Do the events of January 1, 1989 and January 1, 1994 require us to repudiate a dwelling on divergence and resistance in favour of an emphasis on the secular forces of convergence and assimilation?<sup>27</sup> If only perceived in hindsight, did NAFTA coalesce from elements that were inexorably moving in the direction of continentalization?<sup>28</sup> If this is the case, does the genesis of a new continental entity mean that previous generations of scholars were wrong, failing to identify the barely visible, but ultimately triumphant forces of integration? Or does the historically unpredicted character of NAFTA signify that the new North America is highly contingent, an artificial construction that is only imperfectly connected to its foundations? Such speculations might at first appear inappropriate across the Atlantic Ocean where the continental edifice has been constructed in so deliberate and elaborate fashion. Nevertheless continuing, and even growing resistance to “Europe” points out forces of divergence that could justify a comparative historiography of the contested analysis of national evolution within a continental context.

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<sup>26</sup> Rafael Fernandez de Castro and Claudia Ibarguen, “Emerging Cooperation: The Case of the NAFTA Commissions”, in Charles F. Doran and Alvin Paul Drischler (eds.) *A New North America: Enhanced Cooperation and Interdependence* (Westport: Praeger, 1996), 113-130. See also Judith Hellman, *Mexican Lives* (New York: New Press, 1994).

<sup>27</sup> John D. Wirth “Advancing the North American Community”, *American Review of Canadian Studies* 26:2 (Summer 1996), 261-73.

<sup>28</sup> Jack L. Granatstein, “Free Trade between Canada and the United States”, in Denis Stairs and Gilbert R. Winham (eds.) *The Politics of Canada’s Economic Relationship with the United States* (Toronto: University of Toronto Press, 1985), 11-54.

Even if the interpretation of North America's past is fraught with difficulty, one might be excused for thinking that the analysis of its present would be straightforward. After all, NAFTA has been signed and its provisions implemented in each member state's laws. If these are infringed, the economic agreement sanctions various processes of dispute settlement. A lawyer who takes the document's 2,000-odd pages of rules as a starting point may be tempted to see in NAFTA an embryonic continental state. A political scientist might caution that, while it appears to institutionalize a set of norms, its legitimacy as a system will depend on whether and how its provisions will actually be applied and amended in action over the years ahead. A political economist could question to what extent Canada, the USA, and Mexico form a single region rather than two peripheries attached to the common core, like some freak set of Siamese triplets in which the central being was some ten times the size of the two attached siblings.<sup>29</sup> The United States accounts for close to 80 per cent of each of its two neighbours' trade and is by far the largest foreign investor in their economies, but Canada-Mexico trade and mutual investment are paltry. If economic zones generally demonstrate high levels of complementarity, an economist might also ask whether Mexico, with a per capita income one eighth the American level, can really be considered a full participant in the North American system.

Identifying the North American model's characteristics would be an easier enterprise if only its internal commonalities had to be established. Geography would be an obvious candidate because of its sheer size, but great topographical differences between east and west and from south to north are no less striking a feature of North America which stands out in physical terms on every globe in obvious contrast to South America. There, painted in a different colour is Central America which most of us were brought up to think of as the less developed lands where Spanish is spoken. But NAFTA has changed the definition of North America for Canadians by adding Mexico to their new collective identity. As for Mexicans, *Norteamericano* used to designate what was north of the Rio Grande in contrast to what was *Mexicano*. Now Mexicans are becoming self-included in the term *Norteamericano*, as are those mysteriously less threatening gringos in the far north, the *Canadienses*.

Demography could be another element of similarity at a high level of generality, with waves of white immigration from Europe coming to dominate native populations

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<sup>29</sup> The greatest scholar of Canadian economic history, Harold Innis, famously referred to the Canadian-American economic relationship as that of Siamese twins – “a very small twin and a very large one, to be exact”. Harold A. Innis, “Recent Trends in Canadian-American Relations”, in *Staples, Markets, and Cultural Change. Selected Essays edited by Daniel Drache* (Montreal: McGill-Queen's University Press, 1995).

all across the continent. But different settler adaptation capacities from genocide in the United States through ghettoization in Canada to cohabitation and marginalization in Mexico produced significant variations of the *tabula rasa* upon which was imprinted particular mother-country patterns of state and church. Nevertheless, in the secular development of its peoples' cultural identities and in their geographic spread across vast distances from the Atlantic Ocean to the Pacific, each of the three member states has evolved a federalism harbouring major variations in its societal characteristics and profound diversities in its several regions, from Québec to the prairie provinces, from the frost belt to the sun belt states, from the *maquiladoras* to Chiapas.

The roles of geography and demography in the evolution of each continental system offer fertile fields for comparative investigations that can yield many different crops. Out of its triple heterogeneity, for instance, North America has developed what can be seen to be three internally different national models. The United States of America has long been stood out as a distinctive model for the world, whether with regard to its high standard of living, its religious heterogeneity, its lack of subjective class cleavages, its high income inequality, its lowest-common-denominator culture, its impoverished social institutions, its rich private foundations, its high employment levels, its fragmented families, its low racial consensus, its dysfunctional cities, its free market capitalism, or its aggressive consumerism.<sup>30</sup> Describing the US model has been a considerable undertaking in itself. Its ideological marketing to the rest of the world has been aggressively promoted through market mechanisms such as the Hollywood entertainment industry, by official organs such as the United States Information Agency, and by direct government action to export specific aspects of the model, as when federalism and the separation of powers were made the basic principles of the post-Nazi *Bundesrepublik*.

However transmitted, the United States as an ideal type expresses the value of *liberty* in its market society, its extensive agriculture, its mass production Fordism, and its emphasis on individualism, property rights, and liberal political ideas. Although there are major deviations from the archetype in reality – statism disguised in the military-industrial economy or in business-government interconnections through many forms of public policy and private associations – the US remains the global exemplar of *laissez-faire*.

Imperfectly libertarian though the United States may be, it contrasts with the *equality* model that Canada offers as a would-be welfare state. Even though the

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<sup>30</sup> Colin Crouch, "Continental Drift: are European and American Societies Drifting Apart?" European University Institute paper, revised May 1995.



Canadian reality is also growing increasingly distant from what is claimed by popular ideology, Canada sees itself as an egalitarian society in two dimensions. First, all individuals should have equal, free access to good education and highest quality health care. A just federal society also requires its regions to enjoy equal levels of well-being achieved through fiscal redistribution achieved by the central government taking from the richer and giving to the poorer provinces. With their mixed economy once featuring substantial crown corporations directed by a meritocratic bureaucracy and with their set of positive liberal notions about the social value and economic necessity of a prominent role for the state in the economy, Canadians' loudly prescribed, if decreasingly practised, public philosophy formed a basis for keeping their national identity distinct from that of the United States.

Being an exemplar to the world is a general theme in nationalist discourse. For Canada it was once its federalism or its international role as peace keeper. Now it is more likely to be its multiculturalism. Canada has also been looked at from abroad as an anti-model – an example of cultural or technological dependency that has been invoked during election campaigns in both Australia and Japan as a fate to be avoided at all costs. Mexico's claim to distinction might be the interethnic harmony born of the integration and coexistence of the Aztec, Mayan, and other native civilizations with the hispanic settler population, although the insurgency in Chiapas tarnishes the lustre of this ideal.

Mexico has adopted many features of the progressive welfare state in its constitution and legislation including strong trade union rights, collectivist peasant entitlements, and high environmental standards, but the violation of these norms in practice and the extremely low levels of government expenditures on social services leaves Mexico in another category. The *ejido* component of its agriculture; its persistent, if impoverished, indigenous culture; its corporatist cooptation of labour in a low-wage, secure-employment, low-efficiency, government-union system used to make Mexico the prototype of *fraternity* in North America.

The similarities between the American and Canadian models and the differences between the American and Mexican models are arguably far greater than the similarities within Europe between the British and the Nordic or the differences between the Rhinish and "Club Med" varieties of socio-economic system. Exploring these differences and similarities trans-atlantically could significantly enhance the value of such modelling when restricted to one system.

Distinguishing three separate models based on liberty, equality, and fraternity is less easily done in North America after the onset of free trade than it was before. Whether directly because of NAFTA's provisions or indirectly because of the fiscal crisis of the state and the consequent politics of debt and deficit reduction, the Canadian welfare system has already been bled of a good deal of its social-democratic distinctiveness. Major crown corporations have been privatized and significant functions of the state have been cut back at all three levels of government. Mexico's campaign to gain sufficient credit in Washington's eyes for the possibility of a free trade agreement even to be discussed, plus the concessions made as its part of the NAFTA negotiations, have caused that country's solidaristic, state-dominated political economy to be decimated in little more than a decade's worth of a government-led, neo-conservative counter-revolution. South of the Rio Grande a first-world, market-led economy plugged into global networks of production is emerging alongside a third-world society of dispossessed peasants and unemployed workers living in conditions of aggravated misery and potential insurrection.

While the United States and, to a lesser extent, Canada and Mexico will continue to be studied for the lessons they each have to offer the world, our question here is to what extent the three-state North America created by NAFTA has become an entity describable as a model in its own right. Given the differential impact of NAFTA on its constituent members – negligible on the United States, considerable on Canada and (as an integral part of a decade's worth of neo-liberal transformations), traumatic on Mexico; given the increased asymmetry between the central power and its peripheral partners resulting from the unequal balance in the trade agreements' negotiating process and its outcomes; and given the extent to which NAFTA's chapters express the reigning American public philosophy that maximizes market rules and minimizes state roles, a tripartite North American policy model appears to be steadily harmonizing to the hegemon's ideological standard.

Policy harmonization does not entail societal homogenization. Indeed, one can hypothesize that, for three countries displaying radically different levels of prosperity to achieve an approximately similar degree of economic progress, they would need differing political economy regimes tailored to respond to each state's specific developmental challenge. Introducing the same (neo-conservative) policy model in all three countries appears to be accentuating rather than mitigating socio-economic differences. As long as national boundaries remain obstacles to the free flow of people (and NAFTA has led to raising, not lowering barriers against immigration into the USA from its peripheries), a *convergence* of governmental models could generate greater *divergence* among the three political societies. In North America's reconfigured

economic space a revised continental division of labour may be crystallizing in which the United States provides the technological, manufacturing and information-based motor, Mexico provides petroleum and very cheap labour along with a very large, if low-income, consumer market, and Canada provides natural resources, financial inputs, and some manufacturing capacity, along with a smaller, but middle-income market.

As a North American continental system comes into the light it seems to be pioneering some aspects of post-modern politics ahead of other continents. State functions are being rapidly appropriated by the market. Civil society is engaging in more self-organization as government privatizes itself, spinning off non-accountable types of regulatory activity to functional organizations that are beyond the reach of the public and further erode state legitimacy. As the continent least constrained by deeply embedded, centuries-old cultures and least limited by hierarchical state practices, North America may prove to be the site able most quickly to adapt to new technological forces.

This dialectic between the evolution of the continental system and changes of the fabric within each participating member-state can be productively contrasted with the arguably more dramatic impact that the evolving European Union has had on even the largest of its constituent societies.

## **II NAFTA AS CONSTITUTION: AN AMERICAN MODE OF REGULATION**

A continental system's effect on its members' particular societal model has much to do with the specific form of its institutionalization. "Free trade" was the slogan by which Canada's and Mexico's statist frameworks were brought into line with the emancipatory needs of North America's transnational corporations as they faced growing competitive pressures in a globalizing context. The imposition of NAFTA's neo-conservative normative system on the two peripheral states permitted these TNCs to eliminate the excess capacity represented by their branch plants' nationally restricted mandates and so restructure their downsized operations to service a single continental market. Translating this political economy formulation into more institutional terms, NAFTA acts as an *economic constitution* of primary importance to North American enterprises as they rationalize their operations. It provides rights (national treatment) that give corporate capital pan-continental security and so greater flexibility and mobility. It creates judicial procedures for handling both inter-state trade conflicts and TNC-state disputes in special forums reserved for corporate lawyers and government

representatives while excluding social partners and civil society. At the same time the three governments' expressed desire to attract foreign investment makes it more difficult for them to cramp firms' entrepreneurial style with obligations, taxes, or regulations that increase their costs of operation or decrease their autonomy in deciding in which state to locate, how to operate, and whom to hire – or fire.

While NAFTA forbids member states from discriminating against each other's capital on the grounds of nationality, it establishes protectionist rules of origin particularly for textiles and automobiles that do discriminate against extra-continental suppliers. This 'fortress America' regulatory mode uncomfortably marries an ever-nationalist US congress's vigorously mercantilist trade policies with quasi-public dispute settlement mechanisms designed to temper the impact of the worst excesses of US protectionism on its two neighbours. Continental protectionism could be compared trans-atlantically in textiles, automobiles as well as other sectors such as steel. Agriculture constitutes another fruitful sector for comparative study since the Common Agricultural Policy is the prime bulwark of 'fortress Europe'.

From the point of view of its two peripheral states, NAFTA can also be understood as a hegmon-imposed conditioning framework similar to, though less binding than, the strictures imposed by the Maastricht Treaty on member states aspiring to join the European Monetary Union, which was an extension of the hegemonic Bundesbank's norms.<sup>31</sup> As conditioning framework, NAFTA becomes an external addition to each country's *political constitution*. It limits the power of its governments; it defines rights for (corporate) citizens; it provides adjudicatory procedures for resolving disputes; and it contains means for ratifying and amending the document. In terms of societal values, it represents an institutional attempt to "lock in" institutionally the practices of neo-conservatism in the United States' neighbours and so permanently to change the balance of political forces within these two countries.<sup>32</sup> This can be seen most clearly in Mexico whose constitution was actually amended by the PRI (*Partido Revolucionario Institucional*) government to allow the alienation from communal ownership of rural *ejido* lands and the divestiture from state ownership of parts of Pemex, the publicly owned oil corporation that was constitutionally entrenched after the Mexican revolution. To the north, the Progressive Conservative government led by Brian Mulroney also made a major effort to harmonize the Constitution Act (1982) with NAFTA's neo-conservative logic. Although unsuccessful in changing the

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<sup>31</sup> Ricardo Grinspun and Robert Kreklewich, "Consolidating Neoliberal Reforms: 'Free Trade' as a Conditioning Framework", *Studies in Political Economy* 43 (Spring, 1994), 33-61.

<sup>32</sup> Stephen Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", *Millennium: Journal of International Studies* (Tokyo: United Nations University, 1994), 399-423.

country's constitution *de jure*, the Mulroney Conservatives' implementation of CUFTA and their negotiation of NAFTA entailed such *de facto* changes in Canada's policy matrix that they were accepted as irreversible by the opposition Liberal Party which, when elected to power in 1993, proceeded to implement NAFTA's provisions, which it had formerly denounced.

The constitutional tensions created in each member state by the development of a superior European order of governance – most notably in Germany's *Bundesverfassungsgericht* and France's *Conseil d'État* – provide rich material for a comparative study of the impact of continentalism on national sovereignty.

These parallel trajectories taken by neo-conservative elites both to the north and to the south of the United States followed serious crises in each state during the early 1980s. The fiscal trauma of Canadian governments unable to levy enough taxes to pay for their social programs and so avoid chronic deficit financing signalled the failure of Keynesian social democracy to embed egalitarian values deeply enough to withstand the disciplining power of global capital markets.<sup>33</sup> The repeated convulsions of Mexico's political economy resulted in the PRI elites making an even more radical turn away from state dominance to embrace a free market philosophy. In conjunction with these recent shifts we can see declining levels of well-being below the ranks of the super-rich within each society. If the consequent dedication to competition, glorification of consumption, commodification of culture, denigration of community, and blurring of national identities are given freer rein in the new North America than on other continents as the transnational corporation becomes the lead force defining public values, the North American model will distinguish itself as giving the greatest leeway for the market to produce social norms and discipline governments.

Europe offers a study in contrasts here as well since social norms have been engendered by social partners pressing on a political superstructure which has shown itself responsive to political tension. Crisis has played no less a role as handmaid to the process of European integration, though not always in a positive direction. The crisis brought about by wartime devastation and the crises of the Berlin wall – both its construction and its destruction – suggest that the threat of political rather than economic catastrophe has driven Europe forward. The crises provoked by Charles de

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<sup>33</sup> Hideo Mimoto and P. Cross – “The Growth of the Federal Debt”, *Canadian Economic Observer* (June 1991), 3.8-3.9 – show that in Canada “from the mid-1970s, social programs and other spending have had a flat trend relative to GDP... [while] higher debt charges accounted for the bulk (70%) of the increase in spending relative to GDP”.

Gaulle reminds us that the obstacles to integration were also more political than economic.

Free trade may mean the end of trade barriers. It does not mean the end of all rules. If, under NAFTA, labour is to remain immobile across political borders under conditions of accelerated continental economic integration, each federal state has to build higher, more impermeable barriers to immigration. This disjunction offers a sharp contrast to Schengen Europe's borderless mobility. Whereas transborder regionalism in Europe further reduces the importance of national frontiers, the US tries to keep its frontier barriers up.

Rules have to be applied, making dispute settlement the central regulatory activity of the North American model. Even though every effort was made to minimize the capacity of the new dispute settlement processes to impinge on US congressional sovereignty, a certain degree of North American trade law jurisprudence is developing from the decisions made by CUFTA and NAFTA panels and from the experience gained by the panelists. Such indirect processes of legal and normative continentalization offer another striking trans-atlantic difference with the EU's judicial system hierarchically giving the European Court of Justice's rulings direct effect in the member states' systems.

The reach of NAFTA's dispute settlement extends beyond these specific rulings into the decision-making processes of Canadian and Mexican governments as they anticipate future American trade harassment actions and adjust their policies to minimize the risk of potential countervailing duties, anti-dumping or Super 301 actions emanating from Washington. Such was the case in the province of Ontario in 1990 when the New Democratic Party was elected. Its electoral platform included creating a public automobile insurance system, but the new Ontario government was advised that CUFTA's monopoly clause required that the stakeholders of the insurance industry being socialized had to be compensated not just for the present value of their shares but for their anticipated loss of future earnings. Since much of Ontario's insurance industry was American-owned, the NDP chose discretion as the better part of valour: not keeping its campaign promise meant not getting into trouble with Uncle Sam even though this meant forgoing the greater efficiency and lower costs that would have ultimately resulted from a single, province-wide public insurer.

In contradistinction to the treaty-mandated, commission-sponsored, ECJ-enforced, and member-state applied harmonization in the EU, North America's harmonization proceeds by ad hoc dispute settlement and governmental non-decision

making. Norm setting does not only take place in the quasi-judicial environment of dispute settlement. It is a continual process happening in some cases in the complete obscurity of several dozen specialized working groups which, in contrast with the elaborate maze of the Brussels committee system, are mandated by CUFTA and NAFTA to achieve harmonization of the three participants' standards in highly specific issues such as the risk assessment of pesticides. Other norms may be developed through civil society's participation in NAFTA's environmental institution on which the newly elected President Clinton insisted in 1993 in order to gain the support of American environmental non-governmental organizations. Through their activity along with private sector interests in NAFTA's Commission for Environmental Cooperation, these ENGOs are causing NAFTA to affect not only the flow of goods among the three nations, but also the movement of regulations across their national boundaries. Sectoral working groups under the aegis of the supranational CEC are establishing norms in such areas as the transportation of hazardous products.

Other norms are increasingly being set in the continental marketplace as conflicting interests are fought out between different domestic producers. A powerful example is the struggle between the energy and the automobile industry over which of the two would bear the costs of reducing pollution caused by motor vehicles. In this case opportunistic alliances – referred to as “Baptist-bootlegger” coalitions in remembrance of the coincidence of interests during Prohibition in the USA between Baptists who wanted to ban the consumption of alcohol and bootleggers who made their fortunes by supplying contraband whisky – are trying to influence the regulatory policies of their trading partners, and in turn are being influenced by them.

Norms negotiated outside the confines of NAFTA and the EU also have an impact on the evolving continental regime. The bilateral trade and investment agreement Canada negotiated with Chile has, for instance, established a new notion in anti-dumping, namely that no such measures can be taken in sectors where tariffs are already zero. By its very existence this may ultimately develop pressure to be incorporated in NAFTA's own rules. The creation of the World Trade Organization (WTO) with legal personality and superior political authority is causing more dramatic normative change both in Europe and in North America as a result of global trade dispute settlement.

International environmental agreements and treaties which create new standards represent a further source of international influence on domestic regulatory policies. As a result, many of the conflicts over environmental regulation that formerly took place exclusively within nations are now also taking place between them. Furthermore,

norms are increasingly being set through a transnational convergence of interests between domestic producers and environmental pressure groups, which are now influencing the regulatory policies of their trading partners, and in turn are being influenced by them.

New (neo-conservative) norms may spark a reaffirmation of countervailing (social-democratic) values. Free trade is a symbol that has shown real potential for arousing passions around normative issues. In the Canadian psyche, CUFTA became the focus for extensive, heated public debate, turning the 1988 federal election into a virtual referendum. The polarizing effect that the campaign achieved has etched “free trade” in the consciousness of Canadians as either the principal threat to their much-needed political system or the talisman of the country’s economic progress. In the United States a parallel, though less deeply mobilizing polarization took place when the unlikely combination of trade unions, environmentalists, and the maverick Ross Perot took up the protectionist banner by opposing NAFTA during the 1992 presidential campaign. Tear-gassed demonstrators protesting against the WTO in the streets of Seattle in 1999 showed that even the abstract notion of globalization can mobilize the masses. In Mexico, where the PRI kept party democracy under strict control, the negotiation of NAFTA was generally endorsed as a panacea for the economy. Dissenting voices, whether from the left or the right, were kept well out of earshot. Now that democratic norms have penetrated the system to the point that the PRI’s extra-parliamentary organization selects its new presidential candidate in a public primary, NAFTA is increasingly becoming the subject of dissent by party politicians who are voicing their unhappiness with what their recent technocrat leaders have wrought.

The capacity of European-level issues to determine national political debates has varied considerably. The Maastricht referenda confirmed how polarizing continental issues can be within a national polity. Transatlantic comparisons of the interplay between continental and national issues could open new insights into post-modern politics.

While NAFTA cannot be blamed for the growing income inequality within the US economy, free trade appears causally related to the various factors increasing economic disparities within Canada and Mexico: the dismantling of social support programs, the continuing shift of the tax burden from corporations to individuals, the persistently high (Canada) and rocketing (Mexico) levels of unemployment, the further impoverishment of the poorest provinces and states. The young US-trained economists who shifted Mexico’s development strategy from import substitution to market



liberalization engineered a process that made their associates rich as they profited from the privatization of public entities. The same liberalization has reduced the standard of living for most of the rest of the population by painful amounts.<sup>34</sup> Peasant migration, either to fill the ranks of rural insurgents or to join the millions of urban unemployed, tells us something more. Mexico's social effervescence and political disintegration, proceeding apace under a weak president and his discredited neo-liberal technocrats, promises anything but the continuation of the familiar PRI-led status quo in the southern section of the newly constituted continental regime.<sup>35</sup> Thus political alienation and a resulting instability may become one of the most salient systemic traits of the NAFTA model, at least in its peripheral members.

In Europe the connection between continental economic integration and regional or social inequality is more difficult to establish since the EU's structural policies have actively supported the development of the poorest regions and encouraged the enrichment of their social policies. Nevertheless the lure of neo-liberalism on both sides of the Atlantic provides excellent material for comparing the ideology's differential impact in diverse political cultures.

By negotiating CUFTA, the Canadian government made a leap of faith endorsed more by business leaders than by the citizenry. By the same act it generated an intense intellectual as well as political crisis that produced a passionate scholarly debate. The subsequent negotiation of NAFTA extended the debate southwards, provoking a still more confused congeries of claims that were put forward in political as well as academic circles about the implications of free trade for the United States and Mexico. Sorting through the contradictory prognostications in the polemical instant books that assembled the policy arguments for and against accelerated trade liberalization yields a host of rival hypotheses whose contrariety reveals how contested is our understanding of the new continental phenomenon. Discourse analysis comparing the debates on integration in North American and Europe should yield greater understanding of the ideational bases of contemporary nationalism and continentalism on both sides of the Atlantic.

From the economists studying North American free trade with their computable, general-equilibrium modelling techniques came precise estimations of increased economic well-being, whether in GNP, productivity, or employment terms. These

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<sup>34</sup> Judith Teichman, "Neoliberalism and the Transformation of Mexican Authoritarianism", *Mexican Studies/Estudios Mexicanos* 13:1 (Winter 1997), 121-147.

<sup>35</sup> Thomas Legler, "Economic Crisis and Political Change in Mexico", *Canadian Foreign Policy* 4:3 (1996), 21-35.

forecasts' assumptions can be appraised<sup>36</sup> and their accuracy can be measured against actual results for Canada<sup>37</sup> and for Mexico.<sup>38</sup> All this economic analysis can be compared with the extensive studies sponsored by the EU on the economic impacts and deficiencies of integration.

Beyond optimism concerning the expected workings of the market, proponents of free trade offered other, eminently verifiable hypotheses: within Canada regional disparities would decline and foreign policy assertiveness would grow.<sup>39</sup> Predictions about free trade's impact on corporate structures can equally well be checked against transnational corporations' investment strategies and actual practices<sup>40</sup> and compared with the European experience.

In the United States, defenders of NAFTA argued it would so stimulate the Mexican economy that the migratory pressures along the border could be stemmed. Explicit in the proponents' public discourse was the prediction that signing a free trade agreement would prevent both the Canadian and the Mexican governments from returning to their errant interventionist ways should left-wing parties come to power again and be so tempted in the future. In Canada this triumphalism took the form of declarations that there could now be "No new NEP."<sup>41</sup> For Mexico the talk was about "locking in" the liberalizing reforms introduced in the 1980s and committing the government to honour such principles as national treatment that prohibit discrimination against foreign enterprise.

Strongly differentiated from the economics profession's bullish approach to freer trade, other social scientist who engaged in the NAFTA debate tended to make parallel,

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<sup>36</sup> Ricardo Grinspun, *North American Free Trade Area: A Critical Economic Perspective*, Canadian Centre for Policy Alternatives, 1991.

<sup>37</sup> Daniel Schwanen, "Were the Optimists Wrong on Free Trade? A Canadian Perspective", *C.D. Howe Institute Commentary* 37 (1997), 1-16.

<sup>38</sup> Sidney Weintraub, *NAFTA at Three - A Progress Report* (Washington: Center for Strategic and International Studies, 1997).

<sup>39</sup> Macdonald, a.k.a. Royal Commission on the Economic Union and Development Prospects for Canada, *Report*, Volume 1 (Ottawa: Minister of Supply and Services, 1985).

<sup>40</sup> Stephen Blank and Stephen Krajewski, "U.S. Firms in North America: Redefining Structure and Strategy", *North American Outlook* 5:2 (Feb. 1995).

<sup>41</sup> NEP stood for National Energy Program, the dramatically interventionist attempt by the Trudeau government in the early 1980s to transfer control of the American dominated petroleum industry into Canadian hands, a program that was brought to its knees by US and TNC pressure along with an unexpected decline in the world price of oil. Stephen Clarkson, *Canada and the Reagan Challenge* (Toronto: Lorimer, 2nd ed., 1985).

but pessimistic prognostications. In stark contrast to the free trade advocates' expectation of greater well-being was the decline, particularly in Canada's social support system of public health and educational institutions, which the process of continental harmonization was expected by free trade critics to induce by levelling Canadian standards down to inferior American levels.<sup>42</sup> Preliminary research contesting this scenario in the immediate aftermath of CUFTA has already been published – and challenged.<sup>43</sup>

Complementary to the notion of continental rationalization through TNC restructuring is the literature on the new techno-economic paradigm in which the nation state loses function in favour of sub-national jurisdictions which develop varying regional responses to local problems of competitiveness.<sup>44</sup> This literature on innovation at the sub-national level is already trans-atlantically comparative. Extending the notion of regional economic divergence in a more pessimistic vein is the thesis of uneven regional development not just within the member-states but at the continental level: Canada as a whole would be “Maritimized”<sup>45</sup> as Mexico would be “maquiladorized”,<sup>46</sup> each becoming a low-growth satellite of the high-tech centre, as the US economy attracted the lion's share of new investment.

The sharp differences between those favouring and those opposing CUFTA and NAFTA only hint at the difficulties inherent in any study juxtaposing the North American with the European continent. Unlike its more advanced and better integrated prototype in Europe, North America is still difficult to describe as a system. Its heterogeneity in history, geography and national characteristics may be less than Europe's, but its institutional tools for imposing harmonization are weaker. There are

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<sup>42</sup> Denis Stairs, “The Impact on Public Policy: A Leap of Faith”, in Marc Gold and David Leyton-Brown (eds.) *Trade-offs on Free Trade* (Toronto: Carswell, 1988), 454-458.

<sup>43</sup> Comforting analysis showing that Canadian levels of income disparity have not worsened is presented by Keith G. Banting, “Social Policy in a North American Free-Trade Area”, in Charles F. Doran and Alvin Paul Drischler (eds.) *A New North America: Cooperation and Enhanced Independence* (Westport, Conn.: Praeger, 1996), 91-111 and contradicted by Armine Yalnizyan, *The Growing Gap: A Report on Growing Inequality between the Rich and Poor in Canada* (Toronto: Centre for Social Justice, 1998).

<sup>44</sup> David Wolfe, “The Emergence of the Region State”, in Thomas J. Courchene (ed.) *The Nation State in a Global/Information Era: Policy Challenges* (Kingston, Ont. John Deutsch Institute for the Study of Economic Policy, 1997), 205-240.

<sup>45</sup> Scott Sinclair and Michael Clow, “Regional Disparities”, in Duncan Cameron (ed.) *The Free Trade Deal* (Toronto: Lorimer, 1988), 183-96.

<sup>46</sup> Kathryn Kopinack, “The Maquiladorization of the Mexican Economy”, in Ricardo Grinspun and Maxwell Cameron (eds.) *The Political Economy of North American Free Trade* (New York: St. Martin's Press, 1993).

clear distinctions that must be made between the United States as continental hegemon and its two peripheral states on the one hand, with Germany's much more limited superiority over its European neighbours. Increasing disparities, political instability, vulnerability to the new dispute settlement mechanism, and continued tensions with the hegemon characterize both Mexico's and Canada's positions within a NAFTA, which seems to have benefitted the US the most through the spread of its legal norms and business practices. Germany has prospered within the European commonwealth, but not apparently at the expense of its EU partners. Even when united with its eastern Länder, its predominance does not come close to outright dominance. Built-in counter-asymmetric features of EU institutions can be contrasted with NAFTA's hegemon-enhancing characteristics. NAFTA may act as a supplementary constitution governing the political and economic relations of its three members, but the gaps between their social, economic and cultural realities dictates that their trilateral partnership remains fragile. Meanwhile, for all its hiccups and false alarms, the European experiment seems to forge ahead however cumbersome its heavily institutionalized apparatus may be.

### **III COMPARING CONTINENTALISMS**

Scholars of European integration are likely to find their own work is set in a more meaningful context when compared with such analogous aspects of the North American system as the degree of its institutionalization (weak), its integration of politics with economics (low), or the relationship between its hegemon and its other members (asymmetrical). For their part, scholars of the new North America will be less likely to feel they have such an intellectual luxury. Europe's experience is so rich in every aspect of integration that some comparison with it becomes indispensable, requiring scholarship on NAFTA to be comparative in a way that European integration studies could not have been during their first decades. Indeed legion is the number of topics in which comparing facets of these two continental systems offers fruitful hypotheses to explore, from their historical process of formation to their future prospects of expansion. Almost as diverse are the various disciplinary approaches that can be taken: history, economics, political economy, political science, and sociology each bring distinct conceptualizations to bear.

Political history sheds important light on the differences between the two systems. Five decades replete with continual consultations among stakeholders, many elections, several referenda, much controversy, endless debate, continual opinion polling, and an irregular, two-steps-forward-one-step-back record of deepening and broadening were needed for the European Union to coalesce. No one would claim that

this process was without conflict, but a broad consensus developed, and not just among elites, that continental integration was more than an economically valid objective: it was a politically crucial means for eradicating the threat of war and was driven by a socially ennobling vision of inter-state solidarity. North America, for its part, has rejected an overarching political mission and, until fifteen years ago, refused even the notion of formal continental integration. Once it started, the process was fast but secretive, controversial, and divisive, privileging business interests and excluding the remaining social partners.

The impact of these differing continent-building processes on each system's sense of identity as a community is palpable. The European Union now boasts a flag, a common format for member-state passports, and many other symbols of a collective existence such as the ECJ and the European Parliament. It has evolved an initial sense of a shared European citizenship, however deep may be its members' continuing linguistic and national differences. North America may have a longer recent history of internal peace, a more integrated business community, and a more homogenized consumerism, yet the conflicted process of NAFTA-building has done little to foster a specifically continental identity outside the TNCs' marketplace. Paradoxically, while American corporations are creating a common North American capitalist culture, US economic nationalism and protectionism continually rekindle continentally disintegrative responses from its neighbours, as Helms-Burton, California's discriminatory action against Mexican immigrants, and frequent AD or CVD trade actions against Mexican and Canadian exports keep attesting.<sup>47</sup>

This push and pull of US behaviour has to be studied in its syncopation with the love/hate attitudes of Mexicans and Canadians towards their overwhelming partner. Whether this contradictory mutuality can generate a continental identity which is more than a further assimilation of the peripheral cultures into the maw of America's mediatized civilization will depend on how the process of integration proceeds. Contrasting the utility of the more deterministic, economics-driven research based on functionalism (quantifying cross-border transactions in the form of mail, phone calls, travel, and trade) or structuralism (determining ownership and control patterns through

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<sup>47</sup> John D. Wirth, "Advancing the North American Community", *American Review of Canadian Studies* 26:2 (Summer 1996), 261-73. I am grateful to Robert O'Brien for pointing out that more interesting in contrast to Europe is the development of sector identities along class, gender and aboriginal lines: R. Alexander and P. Gilmore, "The Emergence of Cross-Border Labor Solidarity", *NACLA Report on the Americas* XXVII:1 (1994), 42-48 and C. Gabriel and L. Macdonald, "NAFTA, Women and Organizing in Canada and Mexico: Forging a Feminist Internationality", *Millennium* 23:3 (1994), 535-62.

interlocking directorships of continental corporations) with the more voluntarist, politics-driven approaches based on ideational analysis (measuring the evolution of attitudes towards political borders through survey research) or institutionalist studies of genuinely continental organizations should yield greater understandings of each continent's identity-construction. Weak in the theory of culture, Anglo-American scholarship on community-building has much to learn from European work on cultural flows and supranational consciousness formation.

Whereas European integration was inspired from the start by politicians, NAFTA answered to an economic imperative, both in the sense that liberalizing North American trade and investment flows was the top priority of business and in the sense that TNCs energetically pushed government negotiators to meet their specific corporate requirements.<sup>48</sup> Whether these firms' strategic responses to the challenge of a free trade area are different from their European counterparts' behaviour in a common market remains to be seen. Created "from above" by political leadership in the one case and "from outside" by corporate pressures in the other, the EU and NAFTA offer rich ore for comparing the evolution of economic unions and their impact both on their members and on the global economy. The theorization of a linear progression in set stages from a free trade area through a customs union towards a common market to monetary union and finally total integration may need to be revised in the light of the actual characteristics of European and North American experience.<sup>49</sup> Whether these economic associations yield the intended benefits for their participants or impose apprehended costs on them and the rest of the world is subject matter for a burgeoning debate among economists.<sup>50</sup>

Some maintain it is firms that compete, not states. If states cannot determine competitiveness, *ergo* associations of states cannot either. Others believe that it is competitive – rather than comparative – advantage that determines success or failure in the global struggle of corporations. In this optic public policies are crucial, *ergo* super-states can make a big difference. Such is certainly the belief of Eurocrats, whether of the Jacques Delors or of the Leon Brittan persuasion. The former strove for a supranational state with a social-democratic heart (Euro-champions, a social contract)

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<sup>48</sup> Alan M. Rugman, *Multinationals and Canada-United States Free Trade* (University of South Carolina Press, 1990) Chapter 7.

<sup>49</sup> Peter Leslie, "La gouverne de l'économie au sein d'intégrations économiques: les cas du Canada, de l'Union européenne et de l'Accord de libre-échange nord-américain", in Panayotis Soldatos et Jean-Claude Masclet, dirs., *L'État-nation au tournant du siècle: les enseignements de l'expérience canadienne et européenne* (Montréal: Université de Montréal, 1997), 39-88.

<sup>50</sup> Brigitte Lévy, "The EU and NAFTA: Two Regional Economic Blocs in a Complex and Interdependent International Economy", *Revue d'Intégration européenne* 17:2-3 (1994), 211-233.

and a central banker's brain (monetary union). Even if the latter's heart pulses to an ortho-liberal beat, he still believes that the European super-state has a major role to play as the system's anti-trust referee and as its negotiator of global trade rules. NAFTA, in comparison, has no official advocate with a super-state mandate, whether internal or external. At the most, the negative integration that it is supposed to promote will *ipso facto* increase efficiency, competitiveness, and productivity, but these results will flow from liberating the invisible hand in the two peripheral economic spaces, not from any mutually determined, collective policy thrust.

Lack of *intrasystemic* complementarity makes *intersystemic* comparison more difficult. Canada's success in preventing income inequalities from increasing – at least until neo-conservatism finally took full command in the mid-1990s – can be directly traced to its federal and provincial governments' labour-market policies which have been distinctly more social-democratic than in the US where, under similar economic conditions, income inequalities have soared over a period of two decades.<sup>51</sup> With Mexico's per capita income being but one eighth of US and Canadian levels it is even less valid to talk of "North America" as if it were an undifferentiated whole than it is to talk of its three member states as if they were themselves homogeneous entities. Because Mexico's statistics have been of dubious quality until recent years, intercontinental policy comparisons requiring sophisticated data manipulation may yield poor returns for some time. Nevertheless, the social dumping hypothesis that free trade areas level down welfare policy to the lowest common denominator whereas economic unions level it up to a highest common factor could be examined by comparing how social policies in these two internally heterogeneous systems develop.

Whether they maintain, in the process, their distinctive types of continental capitalism in which the more corporatist, European form gives an honoured role to state intervention and the more libertarian, North American variant puts the freely operating market on a pedestal also remains to be seen. Although within each continent there are striking variations in the role played by the state, the corporate culture of TNCs from each system continues to maintain their national distinctiveness.<sup>52</sup> Will these capitalisms' experience converge, with the EU's moving towards the North American model as Europe's TNCs lobby for a loosening of its heavier regulatory regime? Every

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<sup>51</sup> Marc V. Levine, "Public Policies, Social Institutions, and Earnings Inequality: Canada and the United States, 1970-1995", *American Review of Canadian Studies* 26:3 (Autumn 1996), 315-341.

<sup>52</sup> Louis Pauly and Simon Reich, "National Structures and Multicultural Corporate Behavior: Enduring Differences in the Age of Globalization", *International Organization* 51:1 (Winter 1997), 1-30. Also Paul N. Doremus et al., *The Myth of the Global Corporation* (Princeton: Princeton University Press, 1998).

time a European firm establishes a plant in Poland or in Mexico, it increases the pressure on member-state governors to reduce the corporate tax burden and so weaken their social safety net if they want to dissuade other companies from following suit. Here a common external imperative – the competitive pressure originating from the low-wage, high-tech production capacities of newly industrializing countries which TNCs have learned to exploit as export platforms – is pushing EU member-states to “level down” their social security systems in order to achieve more “flexible” labour markets. Even if the differences between models are being eroded, with stricter competition policy being introduced into the European economy, we have to be careful to distinguish how much this is due to US practice being adopted by policy-makers consciously borrowing from Washington or to an indigenous (in this case German) tradition of anti-trust that is being generalized throughout the European system.<sup>53</sup>

While it is largely assumed in North American discourse that environmental standards are sacrificed to commercial imperatives in the context of trade liberalizing agreements, there are significant examples that show otherwise. Germany’s automobile emissions case (1987) and Denmark’s recycling standards case (1988) illustrate how environmental standards can be strengthened in the midst of trade liberalization. Specifically, trade liberalization can promote the strengthening of national environmental safeguards by motivating producers in greener nations to promote stricter environmental standards than those of their trading partners in order to achieve a competitive advantage. For instance, Germany’s demand for stricter automotive emission standards and Denmark’s preference for stricter recycling requirements reflect a convergence of interests between domestic producers and environmental pressure groups. These domestic producer and environmental group alliances clearly show how the linkages between trade and environmental policy made it possible for Germany’s emissions requirements to improve German air quality while providing German automobile producers with a competitive advantage over their counterparts. More important, the preference for firmer standards on the part of EU’s greenest and most powerful member state also contributed to the exporting of higher regulatory standards to other member states. Since Germany provides a large and important market for French and Italian automobile producers, they too began to back tougher emission standards in order not to lose access to greener markets within the community.

Evidence of systemic divergence is the resilience of the “social Europe” model. This has been demonstrated through a combined broadening and deepening, which strengthens the EU’s capacity to meet global competition on its own terms. Admitting

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<sup>53</sup> David J. Gerber “Constitutionalizing the Economy: German Neo-Liberalism, Competition Law and the ‘New’ Europe”, *American Journal of Comparative Law* XLII:1 (Winter 1994), 25-84.



to full membership certain favoured states from the Baltic, Central Europe, and the Mediterranean along with other aspiring members by bilateral agreements will extend the EU's sphere of influence and create a continental colossus able to defend its carefully constructed *acquis communautaire* against that of its extra-continental competitors. The successful movement towards monetary union with a politically autonomous central bank is a striking indicator that differences between the two continental systems are increasing as North America somewhat defiantly and condescendingly disparages the ambitious European initiative.<sup>54</sup> Most probably, evidence of both convergence and divergence will continue to appear simultaneously in different domains of these complex systems.

Do the conditions for membership in a continental system necessarily require the radical transformation of a candidate country before admission or do these conditions depend on the negotiating power of the candidate vis-à-vis that of the system? Extensive tariff reductions, privatization, and deregulation by Mexico were prerequisites even to initiate trade negotiations with the US and Canada, as if the *acquis nord-américain* was conformity to the Washington consensus. NAFTA then required Mexico to undertake further acts of institutional conformity to neo-liberal norms.

It is highly doubtful that the environmental problems associated with Mexico, particularly in the border region, would have received the attention they did had NAFTA not come into existence. The environmental improvements that did take place in Mexico occurred primarily because its access to the US market was contingent upon them. With the influence of American environmental organizations, not only did the US pressure Mexico into adopting stricter enforcement standards for its environmental laws, but it increased its long-term influence over Mexican environmental policies. The potential for Mexico to maintain tougher environmental standards is also dependent on the formal mechanisms laid down by NAFTA. Mexico's participation in the Commission for Environmental Cooperation makes its environmental practices subject to constant scrutiny from US producers and ENGOS.

The inclusion of Greece, Spain, and Portugal in the EC required analogous major adjustments both in terms of the newcomers' democratic politics and their welfare state practice. The admission of Central and East European states to the EU will require even greater internal changes as these countries adopt the heavy *acquis communautaire*.

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<sup>54</sup> Stephen Clarkson, "The Joy of Flux: What the European Monetary Union Can Learn from North America's Experience with National Currency Autonomy", in Colin Crouch (ed.) *After the Euro: Shaping Institutions for Governance in the Wake of European Monetary Union* (Oxford: Oxford University Press, 2000).

Entry of a supplicant to NAFTA will largely depend on the particular mood of the US congress which may attach its own conditions before granting the administration its necessary “fast track” trade negotiating authority.

Such transatlantic comparisons can be pursued in many other dimensions. Some economic sectors – such as financial services – can be contrasted as they deregulate nationally and integrate continentally. Particular industries will demonstrate varying degrees of exogenous integrating pressures (high for telecommunications outside the US) and endogenous integrating forces (high for transportation inside the EU).

The politics of the two systems provides further fields for instructive contrasts. Ideologically, North American free trade was a program of the business community and the technocratic right who enjoyed little popular support. European integration was promoted by technocrats and politicians from the Catholic centre, the free market right, and the social-democratic left; enjoyed broader-based public support; and was inspired by a lofty vision that, in the words of Jean Monnet, “faire l’Europe, c’est faire la paix.” Work has already been done on comparing how political leaders on both continents were induced by the realities of increasing interdependence to risk the political costs of abdicating elements of national sovereignty to Maastricht and NAFTA.<sup>55</sup>

Comparing the politics of Canada’s free trade negotiations with those of Sweden’s entry to the EU brings out important differences in the class dynamics of continental integration within the respective peripheral member states. In Canada, the cleavage ran between the business-led right and a broad coalition of citizens’ groups led by the women’s and trade union movements which feared the loss of the state’s capacity to run a proactive industrial policy and to protect diverse interests – pensioners, aboriginals, environmentalists, the poor, the handicapped, the cultural community, linguistic minorities – from the destructive impact of an unregulated but continentalized market. In Sweden, the left was itself divided, and the opposition to abandoning sovereignty was based less on a fear of negative integration than on a concern that the positive measures of harmonization such as the EMU would doom the Swedish formula for high-wage social democracy.<sup>56</sup>

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<sup>55</sup> Helen Milner, “Regional Economic Co-operation, Global Markets and Domestic Politics: A Comparison of NAFTA and the Maastricht Treaty”, *Journal of European Public Policy* 2:3 (September 1995), 337-60.

<sup>56</sup> Gordon Laxer, “Opposition to Continental Integration: Sweden and Canada”, *Review of Constitutional Studies* II: 2 (1995), 342-95.

Canada and Sweden are also illuminating cases to take for assessing the differential impact of free trade areas and economic unions on the foreign-policy autonomy of middle-ranking powers. The cramping effect of Europe's common foreign and security policy on Sweden's distinctive combination of neutralism and activism would be comparable to the junior-partner role that Canada adopted towards the United States by participating militarily in Washington's Gulf War. Subsequent Canada-US divergences over Helms-Burton, the de-nuclearization of NATO, the banning of land mines and small arms trade, and the establishment of an international criminal court suggest the hypothesis that the loss of autonomy by a medium-sized power caused by increased continental integration can be resisted, given the political will. Determined leadership may motivate a peripheral power to offset hegemonic domination by searching for means to assert itself internationally – a stance made more feasible by the end of the Cold War.

Whereas NAFTA's institutions are weak, the EU's are highly articulated, possibly overloaded, with their elaborate mechanisms for making, enforcing, and adjudicating policies. Institutional comparison of the two systems could yield interesting insights into the respective dynamics of negative integration (reducing national barriers to the circulation of goods, services, capital, and labour) and positive integration (creating common, continent-wide social, economic or cultural policies).<sup>57</sup> Neither a customs union nor a common market, NAFTA has no common external tariff similar to Europe's. Nevertheless, competitive pressures are forcing Canada and Mexico to adjust a number of their tariffs to US levels. Harmonization of industrial, environmental, and taxation policies is an explicit EU practice designed to achieve the pre-conditions for fair competition among its members. Whether the pressure of actual competition produces an analogous *de facto* harmonization among NAFTA's members remains a subject to be researched.<sup>58</sup> What is immediately clear in NAFTA is the extremely modest scope of its trilateral dispute settlement system when compared to

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<sup>57</sup> Fritz Scharpf, "A New Social Contract? Negative and Positive Integration in the Political Economy of European Welfare States". Robert Schuman Centre, European University Institute, Working Paper 96/26.

<sup>58</sup> Edelgard Mahant, "The European Community and North American Free Trade: Contrasts and Comparisons", in Gretchen Macmillan (ed.) *The European Community, Canada, and 1992* (Calgary: University of Calgary Press, 1994), 131-150. Also Xavier De Vanssay and Edelgard Mahant, "Three's Company and Fifteen's a Union: the Comparative Political Economy of NAFTA and the European Union - Integration or Liberalisation", in Till Geiger and Dennis Kennedy (eds.) *Regional Trade Blocs, Multilateralism and the GATT: Complementary Paths to Free Trade?* (London: Pinter, 1996), 131-155.

the constitutional quality and supranational authority of enforceable community law generated by the European Court of Justice.<sup>59</sup>

NAFTA's deliberately disempowered institutions create a vacuum which facilitates the consolidation of US hegemony over its partners. This compares with the EU's countervailing distribution of power among its members, which systematically mitigates the scope for a great power, particularly Germany, to control the whole system. Already CUFTA had given the US effective control of Canadian decision-making affecting American corporate interests.<sup>60</sup> NAFTA extended this direct US policy influence to Mexico City.

While NAFTA weakens peripheral state powers by enhancing the freedom of the market, the EU sustains the smaller member-states by displacing some of their functions to the supranational level where inter-governmental diplomacy and intra-institutional comitology make them represented, empowered, and vibrant.<sup>61</sup> Part of this vitality is generated by their efforts to keep the genuine supranationalism of the Commission within bounds. Across the ocean there is scant possibility that NAFTA will gain the supranational heft and juridical personality necessary for it to become a plenipotentiary in its own right, negotiating new treaty obligations on behalf of its members. Only its trilateral environmental mechanism is attempting to develop a common North American negotiating position on certain issues.<sup>62</sup>

Nevertheless, the legal structure of NAFTA matters much less than the politics that underlie it. In all three North American countries, environmental issues have acquired a very high profile in the areas of public policy and private sector decision-making. Highly effective and influential environmental interest groups dedicated to reducing or preventing environmental negligence have emerged, particularly in the US. Like their counterparts in Europe, the officials administering trade disputes under NAFTA, will be under intense public pressure to make certain that on balance NAFTA results in strengthening rather than undermining regulatory standards in North America.

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<sup>59</sup> Armand de Mestral and Jan Winter, "Dispute Settlement under the North American Free Trade Agreement and the Treaty of the European Union", *Revue d'Intégration européenne* 17:2-3 (1994), 235-266.

<sup>60</sup> Bruce W. Wilkinson, "Regional Trading Blocs: Fortress Europe versus Fortress America", in Daniel Drache and Meric Gertler (eds.) *The New Era of Global Competition: State Policy and Market Power* (Montreal: McGill-Queen's University Press, 1991), 51-82.

<sup>61</sup> Alan S. Milward, *The European Rescue of the Nation State* (London: Routledge, 1992).

<sup>62</sup> Commission for Environmental Cooperation, *NAFTA's Institutions: The Environmental Potential and Performance of the NAFTA Free Trade Commission and Related Bodies* (Montreal: CEC, 1997).

Development at the sub-national level is not supported through NAFTA in the strategic manner adopted by Brussels. Canadian provinces, along with US and Mexican states, are admonished by the national treatment strictures of the agreement to desist from the same range of home-industry enhancing practices as are their federal governments. But NAFTA's structure, in which sub-national governments in any case play no role, offers them no succour in case of need. In Europe regional governments are not just affected by the EU, they are supported by it. A number of transnational associations, most notably the Committee of the Regions, formally institutionalize their presence as legitimate players in the EU's complex policy process.<sup>63</sup> Investigating the differential capacity of regional and municipal governments to seek solutions to their problems by networking (as opposed to competing) with other sub-national governments promises revealing insights into how different continentalisms affect the globalization of the local and the localization of the global.

One such impact is the development of regions that straddle national boundaries. This phenomenon, now common in Europe, is occurring in such specific ecological systems as the Mexican-American border along the Rio Grande and the Canadian-American border involving the Columbia River.<sup>64</sup> Larger groupings of stakeholders such as the Pacific North-West Economic Region have been stimulated by the increasing continentalization of trade patterns to initiate policy recommendations for that region's half dozen provinces and states in order to standardize, for example, weight, load, and length regulations on trucks carrying cross-boundary loads.<sup>65</sup>

The "democratic deficit" in Europe is a question of *demos* (people), not *kratia* (power): power has been shifted to supranational and intergovernmental institutions whose processes are so complex and inaccessible that the public can neither observe, understand, nor affect what transpires in them.<sup>66</sup> In North America the democratic deficit has less to do with *demos* than with *kratia*: institutions have not been erected at the continental level with enough clout to manage the amounts of power that have been shifted out of the hands of territorial governments towards the continent-wide market.

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<sup>63</sup> Peter Karl Kresl, "Sub-national Governments and Regional Trade: Liberalization in Europe and North America", *Revue d'Intégration européenne* 17:2-3 (1994), 309-335.

<sup>64</sup> J.C. Day, et al., "Emerging Institutions for Bilateral Management of the Columbia River Basin", *American Review of Canadian Studies* 26:2 (Summer 1996), 217-32.

<sup>65</sup> Pacific NorthWest Economic Region, *Vision 2001: A Look Ahead for the Pacific NW Economic Region* (Seattle: PNWER, 1996).

<sup>66</sup> Michael Th. Greven, "Can the European Union Finally Become a Democracy?" in Michael Th. Greven and Louis Pauly (eds.) *Democracy Beyond National Borders* (New York: Rowman and Littlefield, 2000).

This degree to which NAFTA responds to the logic of markets whereas the EU incorporates the logic of governments can be explored through their contrasting judicial systems. It is true that several quasi-judicial processes have been created to mitigate some of the worst commercial conflicts between NAFTA's members. However, these much-vaunted dispute settlement mechanisms may well aggravate the system's deficiency in democratic practice since in most cases it is only the federal governments and corporations that can seek redress; sub-national governments, NGOs, and citizens need not apply. NAFTA's environmental regime has made itself an exception by involving non-governmental players in its deliberations and offering them the opportunity to seek redress against governmental turpitude.<sup>67</sup> The supremacy of EU law, the ECJ's judgments' direct effect in member states, and the capacity of individual citizens to defend their human rights against their own governments by seeking justice at the supranational level underline the extent to which the European experiment has disaggregated components of sovereignty along a vertical, state-EU axis. NAFTA, in contrast, makes any member-state government liable to law suits from corporations based in either of the other countries. Not only are citizens' rights not enhanced under NAFTA, but non-national companies have acquired greater property rights than national firms.

Beyond the mediation of conflict, the two continental systems' institutions can be assessed in terms of their problem-solving capacity, about which many questions need answering. Does an elaborately articulated, legally enshrined, top-down flow of authority tend toward decision-making paralysis? Is a market-driven process led by TNCs based in highly fragmented federal states within a free trade area enjoying little legitimacy condemned to suffer from a lack of leadership and vision? Do losers (whether regions or individuals) get compensated more fairly in the EU? Will winners win bigger in NAFTA?

Among the three objects of social science's reflection – polity, economy, and society – the latter is the most elusive of analysis at the continental level. Transnational civil society in the Canadian-American relationship is based on over a century of direct association within trade unions, student fraternities, charitable and professional organizations, and continent-wide business operations. The society component of the US-Mexico relationship has been primarily a phenomenon of the hispanic diaspora in the United States. Organized transnational contact on a continental basis has only developed trilaterally among certain businesses, academic, environmentalist, and trade

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<sup>67</sup> John Kirton, "The Commission for Environmental Cooperation and Canada-U.S. Environmental Governance in the NAFTA Era", *American Review of Canadian Studies* 27:3 (Autumn 1997), 459-86.

union elites sharing a particular concern about NAFTA. In contrast, even if Europe-level political parties fall short of the Eurofederalist ideal, the evolution of a substantial trans A fine test for the value of comparative continental analysis. national European civil society can be seen in the Erasmus student exchange program and the hundreds of interest groups and non-governmental organizations with an explicitly pan-European mission that have sprung up to lobby in the continental capital. One EU-NAFTA comparison of developments in civil society will be addressed in the following section, which explains how national labour standards have been affected by these quite different continental systems.

#### **IV COMPARING THE EU'S AND NAFTA'S IMPACT ON MEMBERS' LABOUR MARKETS<sup>68</sup>**

A good test of the value of comparative continental analysis can be found in examining the direct and indirect effects that the EU and NAFTA have had on the industrial relations (IR) systems of Ireland and Canada. To identify the impact on its labour relations of integrating into a continental system, we must first establish the main characteristics of each state's original IR model. The technical content of the pertinent agreements can then illuminate any direct impacts of the continental regime on national policies and practices. The changed political economy induced by continentalization may produce further indirect changes.

##### **The Irish Story: Changing Spheres of Influence**

Much of Ireland's political and policy-making system had been established using the United Kingdom's practices as model. The conflictual Irish system of industrial relations was based on high rates of union membership, a tight employers' organization (the Irish Business & Employer Confederation – IBEC), and a heavy reliance on labour courts to settle disputes. A shared ideology of class struggle made all parties to this IR system suspicious of any formalized employee communication mechanisms. Compared with other European countries, regulatory employee protection was minimal in Ireland, terms of employment being primarily the outcome of antagonistic collective bargaining.

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<sup>68</sup> This section was researched and drafted by Jean Cushen, M.A.

Irish trade was characterized by high tariffs and a reliance on agricultural exports to the UK market. In 1960 trade amounted to 34 per cent of GDP. 59 per cent of all exports were agricultural products, of which 75 per cent went to the UK and only 7 per cent went to other European countries.<sup>69</sup> Accession to the European Community in 1973 eclipsed this British influence and in its place, Brussels began to play a decisive role in shaping Ireland's policy directions. Joining the EC also required dismantling Irish tariff barriers and reduced Ireland's dependency on the UK. This forced the country to become competitive in a new range of industries and to rethink its internal socio-economic policies.

Starting with the Treaty of Rome (1957), each stage of European integration was accompanied by conscious strategies to counteract the negative implications for labour of each market liberating development. At the beginning, fears that the new economic community would have a detrimental effect on social conditions and workers' rights had generally been dismissed. But by the late 1960s freer trade was clearly not stimulating an automatic increase in the living standards of all member states. In response, Brussels initiated the Social Action Programme urging member states in the 1970s to improve their living and working conditions. The European Foundation for the Improvement of Living and Working Conditions (1976) and the European Centre for the Development of Vocational Training (1977) were established to research and monitor social and workplace issues. During this period the Commission proposed and the Council passed a handful of workplace directives, a majority of which legislated on occupational health and safety. However, a lack of consensus among member states about how best to deal with social concerns caused many of the European Commission's proposals for enhancing living and employment standards to fail. Fearing a loss in national policy autonomy, member states invoked the principle of subsidiarity,<sup>70</sup> maintaining that the objectives enunciated by the Commission could be better achieved at the state level and did not require European intervention.

In 1986, when the Single European Act (SEA) was adopted, it was criticized for creating a purely economic market with a social vacuum.<sup>71</sup> The prospect of social dumping due to the pressure of internal or external competition became a major concern voiced most insistently by Jacques Delors and his commissioners. Their commitment to the social dimension of integration resulted in the European

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<sup>69</sup> Statistics from the Irish Department of Trade and Enterprise (<<http://www.irlgov.ie>>) and the Irish Central Statistics Office (<<http://www.cso.ie>>).

<sup>70</sup> The principle of subsidiarity was enshrined in Article 3b of the 1973 EC Treaty.

<sup>71</sup> R. Blainpain and C. Engels (eds.) *Comparative Labour Law and Industrial Relations in Industrialised Market Economies* (The Hague:Kluwer Law International, 1998).



Parliament's adoption of the 1989 European Charter of Fundamental Social Rights of Workers which laid down the leading principles for a European model of labour law. In effect, the charter constituted a new action programme to be implemented both at the level of the member states and at the level of the European Community.

The 1993 Maastricht Treaty raised more fears that regional disparities would worsen as member states struggled to meet the tight monetary convergence criteria for admission to membership in the EMU. Accordingly, a new Cohesion Fund to channel financial assistance to the four poorest member states was established.<sup>72</sup> The social agenda was further advanced by Maastricht's affirmation of the social partners' importance in the policy process and by the introduction of qualified majority voting<sup>73</sup> which increased the capacity of the Council of Ministers to take regulatory action.

The European Council's adoption of the social dimension's objectives and its procedural framework allowed for the formulation of specific projects such as the Social Action Programme of 1995-1997 which outlined methods to combat unemployment and emphasized the importance of high labour standards in contributing to European competitiveness. The 1998-2000 program discussed the social challenges facing the Union and outlined policies for tackling these challenges.

*Direct Effects.* The argument that much of Brussels' social action has been more declaratory than effective<sup>74</sup> can be disproven, in Ireland's case at least, by looking at the specific incursions that the EU has made into its policy making. Brussels' interventionist and regulatory role has added new layers to the existing Irish IR system. During the 1980s and early 1990s Ireland was faced with increased competition and was suffering a lengthy and damaging recession. While Dublin was attempting to stimulate business and cope with mass layoffs, the European Council passed legislation on collective redundancies, transfers of undertakings, employer solvency, and obligatory communication procedures. Considering how weak and conflicted was their economy, it is unlikely that Irish policy makers would have introduced such legislation of their own volition. Relations between management and unions were tainted by employer fears of increasing costs and employee fears of being made redundant. The

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<sup>72</sup> Cohesion Fund commitments reached approx. ECU 2.25 billion in 1996, and were shared out according to the following broad bands: Spain 52-58%, Portugal 16-20%, Greece 16-20%, Ireland 7-10%.

<sup>73</sup> Before Maastricht, social issues required unanimous decisions in the European Council on all issues, excluding health and safety.

<sup>74</sup> Wolfgang Streeck, "National Diversity, Regime Competition and Institutional Deadlock: Problems in Forming a European Industrial Relations System", *Journal of Public Policy* 12:4 (1992).

prospects for successfully adopting the EC's regulations in the centralized manner by which the Irish model operates would have been non-existent without the visible and heavy hand of Brussels. Some policies imposed by the EC were in direct conflict with Dublin's beliefs, practices, and policy direction of the time. Mandatory works councils as well as employment equality for women and other marginalized groups are prime examples. In a country where not only tradition but also the constitution assigned the woman's place to the home, lobby groups would have had a Promethean struggle to get such legislation implemented without outside support. Traditional values would almost certainly have ensured that the Irish social partners supported by the state would have blocked any grass roots proposals for such schemes. Membership in the EU meant that Ireland could implement these policies without fearing a reduction in competitiveness within Europe.

Ireland has been a major recipient of European structural and social funds, which have increased dramatically from £33 million in 1973 to £543 million in 1983, and £1,991 million in 1997.<sup>75</sup> This assistance both enabled and required the country to pursue programs aimed at promoting the re-integration of unemployed persons into the labour market. These funds had to be supplemented by a stipulated percentage of public or private spending designed to trigger and maintain Ireland's commitment to a high level of social expenditure. The Irish Government had to encourage a high participation rate in employment and strive to improve the conditions of those at work. The resulting Community Support Framework for Ireland has had a direct and long-term impact on the Irish economy through improving its infrastructure and developing a more highly qualified workforce. It has also induced wider participation in the work force, particularly by women, the long-term unemployed, and other marginalized groups.

In sum, community membership provided Ireland with a regulatory impulse and financial injection with which it could rebuild the economy and pursue long-term growth and development policies.

*Indirect Effects.* Today, Ireland is a very different trading nation. Accession to Europe weakened Irish economic ties with the UK and greatly altered its trade patterns. By 1996, the UK's share of Irish exports had fallen to 25 per cent while the EU took 44 per cent. In the same year, 57 per cent of these exports were from the chemical and engineering industries. Agricultural exports amounted to no more than 16 per cent.<sup>76</sup>

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<sup>75</sup> <<http://www.irlgov.ie>>.

<sup>76</sup> Statistics from the Irish Department of Trade and Enterprise (<<http://www.irlgov.ie>>) and the Irish Central Statistics Office (<<http://www.cso.ie>>).

Competitive pressures have had a profound restructuring effect on Ireland's IR system.<sup>77</sup> The need for the country to promote new industries aggressively forced the state to accept more flexibility in its employment policies. There has been a sharp increase in temporary, part time, and contract employment, particularly in foreign-owned firms.<sup>78</sup> This new atypical<sup>79</sup> employment has diminished the ability of unions to organize the growing Irish workforce.

The same pressures have also forced unions to address the declining viability of their long established, but costly adversarial model, which now only survives in state-owned companies or in industries facing limited or no competition. Union recognition is not compulsory in Ireland. The Irish Development Authority (IDA) no longer promotes recognition among potential foreign investors due to fears that unions act as a disincentive to foreign direct investment (FDI). While unions still play an important role in central negotiations they have lost some legitimacy at the organisational level.<sup>80</sup> Nor should the success of the social dialogue at the European level be overestimated. Business is reluctant to make any binding commitments, and the diversity of representation there creates difficulties in the decision making process. Nevertheless, the strong position of the European Trade Union Congress (ETUC) and the European endorsement of social dialogue have given the Irish Congress of Trade Unions (ICTU) a compensating international and national legitimacy and strong diplomatic networks and contacts.

The Irish economy has experienced phenomenal growth since the 1990s, and the governing party has committed itself to ensuring that all citizens share in the benefits of this success. Competing within a trade regime where the more powerful players advocate social democracy made such a stance more feasible. European policy actively ensured the adoption of social policies in weaker member states. Fundamental changes have taken place in the Irish social welfare system, making it both work – and family – friendly. Social welfare expenditure in 1988 amounted to £2,614 million. Since 1988 unemployment has decreased and wages have increased while inflation remained low. Nevertheless, social expenditure in 1997 amounted to £4,524 million.<sup>81</sup>

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<sup>77</sup> William K. Roche, "Between Regime Fragmentation and Realignment: Irish Industrial Relations in the 1990s", *Industrial Relations Journal*, 29:2 (1998), 113.

<sup>78</sup> *Ibid*, 116.

<sup>79</sup> Atypical employment contracts include part time, temporary, and contract work which deviate from traditional full-time employment.

<sup>80</sup> Roche, "Regime Fragmentation and Realignment", 119.

<sup>81</sup> Irish Central Statistics Office.

In effect, the European Union provided Ireland with a shield protecting it from the deregulatory pressures of globalization, which such a small, open, and weak economy would have undoubtedly faced.

### **The Canadian Story: Liberal Social Democrats in Transition**

The Canadian labour market is characterized by a highly institutionalized but conflictual relationship between management and labour. As in Ireland, Canadian trade unions enjoyed high membership rates, though Canadian labour legislation and social standards have traditionally been higher than Ireland's. Fringe benefits, such as pensions, were more commonplace and generous in Canada.

Collective bargaining is extremely decentralised with negotiations occurring predominantly at the firm level. The union umbrella group, the Canadian Labour Congress, has no official input into federal policy-making and must rely for its influence on political sympathy and moral suasion, both of which have generally been in short supply. Increased competition and the introduction of concession bargaining<sup>82</sup> during the 1980s somewhat reduced the unions' role and power.

Canada has long had a dual economy, exporting raw materials while relying for manufacturing jobs on an import substitution industrialization. Like Ireland, the nation has also been party to an asymmetrical trading relationship with its hegemonic neighbour. In 1985, 75 per cent of Canada's exports went to the US.<sup>83</sup> Since the formulation of the continental free trade area, trade dependency with the US has intensified, with the United States' share of its exports increasing to 83 per cent in 1998.

The free trade story in Canadian industrial relations began with CUFTA which Canadian trade unions strongly opposed. They feared that weaker labour standards in the US combined with the freer market would stimulate demands from Canadian business to deregulate the labour market and reduce the corporate tax rates that were used to fund social expenditures. NAFTA provoked further controversy in Canada as labour leaders feared that Canadian business would be forced to move to Mexico because of its lower wages. NAFTA supporters argued that free trade would stimulate an automatic increase in Canadian employment and living standards. They also anticipated that any jobs lost would be offset by increases in productivity since

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<sup>82</sup> Faced with the recession and increased foreign competition, management in companies pleaded with workers and unions to accept reductions in wages, benefits, and work rules.

<sup>83</sup> John Whalley, *Canada-United States Free Trade* (Toronto: University of Toronto Press, 1985), 3.

Canadian manufacturers would achieve greater economies of scale by using Mexico's low cost labour for their production facilities.<sup>84</sup>

In stark contrast to the slow process of European amalgamation, fast track US legislation forced the pace and constrained the openness of North America's trade negotiating process. As a result, the original NAFTA document did not even address industrial relations.

<b>THE NAALC – 1994</b>	<b>THE EUROPEAN SOCIAL CHARTER – 1989</b>
Freedom of association and Protection of the right to organize	Freedom of association and collective bargaining
Right to bargain collectively	Workers' information, consultation, and participation
Right to strike	Social protection
Prohibition of forced labour	Employment and remuneration
Elimination of employment discrimination	Protection of elderly and disabled persons
Equal pay for men and women	Equal treatment for men and women
Compensation for occupational injuries, illnesses	Vocational training
Protection of migrant workers	Free movement
*Labour protection for children and youth	Protection of children and adolescents
*Minimum employment standards	Improvement of living and working conditions
*Prevention of occupational injuries, illnesses	Health protection and safety at the workplace

\* = Trade sanctionable

Fearing deregulatory pressures from closer integration with the low wage Mexican economy, US unions mounted a strong campaign against NAFTA which induced newly elected President Bill Clinton to call for discussions on the social dimension of free trade.<sup>85</sup> The three countries agreed that there was to be no reopening of the NAFTA document itself; no impingement on national sovereignty; no recourse to trade

<sup>84</sup> Eric Gagnon, *Free Trade in North America: the Impact on Industrial relations and Human Resources Management in Canada* (Kingston, Ontario: Queens University, 1998).

<sup>85</sup> G.W. Grayson, *The North American Free Trade Agreement: Regional Community and the New World Order* (University Press of America, 1995).

sanctions or other protectionist measures.<sup>86</sup> One result of this constricted renegotiating was the North American Agreement on Labour Cooperation (NAALC). This parallel accord aims to create “new employment opportunities and improve working conditions and living standards” and to “protect, enhance and enforce basic worker rights” within the NAFTA region.<sup>87</sup> Like the European Social Charter, the NAALC speaks the rhetoric of labour rights. But, whereas the EC’s member states were obliged to implement the provisions of the 1989 charter, the NAALC does not require member states to adjust their national legislation to ensure compliance with its eleven principles.<sup>88</sup>

The NAALC declaration of eleven labour rights is only as significant as the mechanism that enforces it. In a clearly coded reference to Mexico’s lax implementation of its labour legislation, the agreement calls for each country to enforce its own laws. It only allows for NAFTA enforcement of the three national technical labour standards which are identified as trade sanctionable. Under its dispute mechanism, complaints must identify a continual failure on the part of a member government to enforce its domestic labour laws in one of these three respects. If a trade related infringement is proven, NAFTA benefits can be withheld from the offending government. In contrast, European citizens can bring their employer to the European Court of Justice if they are not satisfied with the outcome of legal proceedings at the national level. There is no provision in NAFTA allowing a remedy to be taken against an individual employer.

For all three countries, if violations of any of the other eight principles are proven, the offending employer and government are only punished by the bad press they receive in the investigation process. The NAALC principles “do not establish minimum standards for their domestic law”<sup>89</sup> which is not required to conform to the principles. Neither is the NAALC capable of protecting labour from the negative impacts of trade liberalization. Instead, it constitutes an effort by the US to prevent Mexico from using its labour force as a competitive tool. All the while nothing is done to help Canada adjust to the new game of continental competition.

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<sup>86</sup> May Morpaw, *The North American Agreement on Labour Co-operation: Highlights, Implementation and Significance* (Quebec: Human Resource Development Canada Office of the North American Agreement on Labour Cooperation, 1995), 113.

<sup>87</sup> NAFTA preamble.

<sup>88</sup> Roy J. Adams and Parbudal Singh, “Early Experience with NAFTA’s Labour Side Accord”, *Comparative Labour Law Journal* 18:2 (1997), 16.

<sup>89</sup> NAFTA, Annex 1: 796,

*Direct Effects.* In 1994, the trilateral Commission for Labour Cooperation was established as the NAALC's institutional executive responsible for the accord's overall implementation. Canada, like Mexico and the US, set up a National Administrative Office (NAO) to investigate breaches of the accord. Unlike the dispute settlement under the supranational European Court of Justice, NAFTA's labour disputes are administered by the member states' own NAOs. To date the three NAOs have adopted a liberal view of their jurisdiction, accepting cases that were not strictly speaking trade sanctionable. This broad interpretation could just as easily swing in the other direction if governments adopt a more conservative attitude to the accord.<sup>90</sup> The main activity of these weak institutions consists of increased communication with their counterparts to create a better understanding of each country's policies and to define the role of their NAOs. This is in stark contrast to Europe whose national institutions are obliged to pursue improved living and working conditions in their country. Since Canada was not the object of American concern in this regard, the agreement's enforcement mechanisms are weaker for it. If Canada breaches one of the three sanctionable principles it can only be penalized with fines. By signing NAFTA, Canada's federal government was governed by the NAALC but its provinces and territories were not automatically obligated. Only those provinces and territories that opt to be bound by the accord can participate in cooperative consultations, evaluation committees, and dispute resolution procedures. By 1999 only Alberta, Prince Edward Island, Manitoba and Quebec had ratified the accord. As labour in most industries comes under provincial jurisdiction, there are real limitations on the extent to which the NAALC can affect industrial relations in Canada. Consequently, Canadian input into the management and development of the social dimension of North American free trade is marginal.<sup>91</sup>

*Indirect Effects.* Operating alongside less costly and less regulated economies forced Canadian policy makers to change their perception of national labour and social standards. Once fundamental to the running of a Fordist economy, they are viewed now as rigidities imposing unnecessary expenditure on government and business.

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<sup>90</sup> Adams and Singh, "NAFTA's Labour Side Accord", 15-20.

<sup>91</sup> "Unless federal jurisdiction alone is involved, 35 per cent of the total labour force must be either covered under federal jurisdiction or by provinces and territories which have accepted the obligations before Canada can submit a complaint about the US or Mexico or before they can complain about Canadian enforcement. If a situation concerns a specific industry, 55 per cent of the work force must be subject to the terms of the NAALC". Morpaw, "The North American Agreement on Labour Cooperation", 121.

NAFTA has solidified the power and legitimacy of business interests, increasing their ability to insulate themselves from trade union pressures. Increased competition has greatly intensified work practices in the 1990s as companies flatten hierarchical structures and introduce lean automated production techniques.<sup>92</sup> This marked intensification of employment is driven by Canadian employer strategies to contain the costs of permanent employees.<sup>93</sup> In the face of increased trade with less regulated markets, labour is becoming a competitive tool in the continentally integrated Canadian market.

New employment possibilities created in Canada are increasingly atypical. Temporary employment made up 5 per cent of the total workforce in 1991; in 1996 this figure had increased to 11.6 per cent.<sup>94</sup> Wages for part-time workers amount to only two-thirds of those received by their full time equivalents. Less than 20 per cent of them receive fringe benefits.

Under NAFTA, collaboration between trade unions of each member state has increased. However, the NAALC severely limits what organized labour can achieve. The Canadian union density ratio has stagnated since the late 1970s and fallen since 1992. As of 1997, less than one-third of all Canadian workers belonged to a trade union. With 42 per cent of unionized employees working in the public sector, fewer than 14 per cent of the private sector is unionized.<sup>95</sup> New employment opportunities are shifting to service industries and the small business sector, where workers are more difficult to organize.<sup>96</sup>

NAFTA has intensified, rather than mitigated, the phenomenon of social dumping. The Canadian Labour Congress stated that “companies make it clear that production and new investments can be shifted if rates of return do not match those in the US or Mexico”.<sup>97</sup> NAFTA’s projected productivity gains did not offset job losses to the extent forecast. In booming sectors wages have not reflected increases in efficiency. In the Canadian manufacturing sector wages have grown significantly more slowly in

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<sup>92</sup> Jock A. Finlayson, “Whither the Trade Unions?” *Policy Perspectives* 5:1 (February 1998).

<sup>93</sup> Andrew Jackson, *Impacts of the Free Trade Agreement and the North American Free Trade Agreement on Canadian Labour Markets and Labour and Social Standards* (Ottawa: Canadian Labour Congress, 1997), 11.

<sup>94</sup> Statistics Canada in Jackson, *Impacts of the Free Trade Agreement*.

<sup>95</sup> Statistics Canada in Finlayson, “Whither the Trade Unions?” 5.

<sup>96</sup> Statistics Canada in *ibid.*, 4.

<sup>97</sup> Andrew Jackson and Bob Baldwin, *The Lessons of Free Trade: A View from Canadian Labour* (Ottawa: Canadian Labour Congress, Research Paper No.6 (1997), 16.



relation to productivity than in other industries.<sup>98</sup> This sector is closely integrated with the American and, to a lesser extent, Mexican economies. Exemplary of this trend is Noma Industries Ltd. of Toronto, an electronics and auto parts maker which established three plants in Mexico between 1994 and 1998. In explaining the company's locational strategy, Noma's chief financial officer illustrated how free trade is commodifying labour in North America. "For us, it is the access to the lower labour rates and to be able to get our products back to our US customer base in one or two days. When you look at the all-inclusive costs, there are still significant advantages to operating in Mexico versus elsewhere in North America. Mexican wages are a sixth of those for comparable jobs in the southwestern United States".<sup>99</sup>

In sum, we can see that NAFTA has actually increased industrial insecurity by reducing the quality of national labour standards and undermining previous methods of counteracting social inequalities. As Canada competes against the US and Mexico for investments, taxing corporations to fund national social expenditure is becoming less feasible. Social assistance schemes have been significantly cut in most provinces since 1992.<sup>100</sup> This erosion of labour's position through competitive pressures created by continentalization has not been offset by the NAALC, which does not provide effective means for redressing these inequalities. NAFTA rules ensure the market's effectiveness as the most powerful stratifier of labour and social relations and obstruct equal distribution of benefits derived from continentalization.

Whereas industrial relations in NAFTA do little to protect its member states from the negative impacts of trade liberalization, industrial relations generated by the EU seek to prevent labour from being viewed merely as a commodity. The Irish case illustrates how European policy has attempted to combat this danger by taking remedial action continentally to impinge on policies at the national level. As a poor economy with low labour standards, Ireland shows that the European model has had considerable success in creating a level playing field via regulation, social and structural funds, and establishing certain standards below which no country can fall. As a rich country with high labour standards, Canada shows how a different model of continentalization can facilitate the leveling down effect of market competition.

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<sup>98</sup> Statistics Canada in Jackson, *Impacts of the Free Trade Agreement*, .21

<sup>99</sup> Barrie McKenna, "More Firms Flock to Mexico", *Globe and Mail* (July 8, 1998), A1, A9.

<sup>100</sup> Downward trends in labour standards are most noticeable in Ontario, Alberta and Manitoba.

## CONCLUSION

As the Cushen study suggests, the prospects for bicontinental comparison – almost endless in their possible variety – are seductive. Still, the methodological pitfalls in the way of valid work are substantial. In many categories transcontinental comparison will remain the study of differences among states rather than between systems. Social policy, for instance, remains the prerogative of the nation state or its sub-national jurisdictions and, although influenced by exogenous, continentalizing factors, is material for traditional comparative political economy. Nevertheless, a comparison of the two regimes' types and levels of social protection reveals some of their most striking differences. On the one hand there is an explicit effort to achieve a policy convergence based on the highest standards in "social Europe." On the other hand, although there is a complete exclusion of social policy from the official NAFTA agenda, a process of competitive adjustment appears to be dragging the higher quality standards and services in Canada down towards American levels which could themselves be threatened by Mexico's far more primitive standards.<sup>101</sup>

We have already seen that the entity called North America is unstable in its boundaries. So too is Europe which may broaden considerably to the east, altering its nature slightly with each new addition. Deepening is also on the agenda in each continental regime as institutions strengthen and the need for coordination drives common decision-making, whether formally institutionalized (EU) or informally rooted in the market or civil society (NAFTA). The problem this flux poses for comparative work is that the constantly changing scope of the objects under comparison will tend to reduce the shelf life of the scholarly product. A study based on research conducted over several years is in danger of being out of date by the time it is published because circumstances have changed so much in the interim.

The reality of continuing change poses further problems for continental comparisons. The specific moment chosen for the exercise can radically affect the findings. A century ago, before trust-busting populism transformed the US marketplace, the American political economy was essentially state interventionist and monopolistic.<sup>102</sup> Had continental models been compared in the late 1930s, New Deal North America would have seemed considerably more progressive than fascism-

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<sup>101</sup> Dorval Brunelle and Christian Deblock, "L'Union européenne et l'Amérique du nord: analyse comparée des dépenses sociales", *Revue de l'intégration européenne* 17: 2-3 (1994), 267-308.

<sup>102</sup> Peter A. Gourevitch, "The Macropolitics of Microinstitutional Differences in the Analysis of Comparative Capitalism", in Suzanne Berger and Ronald Dore (eds.) *National Diversity and Global Capitalism* (Ithaca, N.Y.: Cornell University Press, 1996), 239-59.

tending Europe. If the European Community had been compared with North America in the Jacques Delors years it would have looked much more social-democratic than it did in the late nineties.<sup>103</sup>

A more pesky conundrum raised by historiographical considerations concerning causality is the extent to which central elements of what we think of as one continental model actually derive from the other. To a great extent, North America is itself the product of Europe. Whether one takes a very general issue such as the two continents' value systems which are rooted in the Judaeo-Christian tradition or a very specific epiphenomenon such as the London megamusical adapted from the Broadway musical (which is itself an adaptation of popular European lyric theatre)<sup>104</sup> influences have crossed the Atlantic Ocean and returned in such complex patterns that one must beware of facilely affixing 'European' or 'North American' labels as if the phenomena they describe were "made in" any single place.

Bicontinental comparisons are but a stage towards tricontinental and even multi-continental studies that include Asian, Latin American, African, and ex-Soviet groupings in their purview. Whereas EU-NAFTA analysis is based on an underlying cultural commonality, the inclusion of Asian continentalism adds genuinely different cultural and historical elements. The contrasts between the three models have been presented schematically as

	<b>Degree of Integration</b>	<b>Regional Institutions</b>	<b>State/Market Relationship</b>	<b>Commitment to Harmonization</b>
<b>Europe</b>	Medium	Advanced	Social market	High
<b>North America</b>	High	Limited	Neoliberal	Left to market
<b>Eastern Asia</b>	Low	Very limited	Developmental	Low

but the actual analysis required to flesh out these distinctions with all the necessary qualifications would be considerable.<sup>105</sup>

Each grouping of states was created in response to a qualitatively different conjuncture characterized by special circumstances, motivations, objectives, and

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<sup>103</sup> Ross, *Jacques Delors*.

<sup>104</sup> Jonathan Burston, "Enter, Stage Right: Neoconservatism, English Canada and the Megamusical", *Soundings: A Journal of Politics and Culture* 5 (Spring 1997), 179-190.

<sup>105</sup> The table is adapted from Eric Helleiner, "Regionalization in the International Political Economy: A Comparative Perspective", (University of Toronto-York University Joint Centre for Asian Pacific Studies: Toronto, 1994), 46a-ii.

constraints. Each necessarily reflects a different historical trajectory, geographical scope, strategic vision, and economic recipe for integration. As a result, comparisons will need to be circumspectly effected. Accentuated by NAFTA and mitigated by the EU, the hegemonic factor may be less salient in ASEAN where the largest countries are poor and the smallest members are rich. In Mercosur the Brazilian hegemon does not represent a different development model to which its partners must conform. Although comparing the North American model with its South American counterpart is complicated by the preponderant role played by the USA even in the economic zone to which it does not formally belong<sup>106</sup> and although Mercosur is a shallower, trade-led system than NAFTA's deeper, investment-led process involving the formation of cross-border production networks, these two trade areas may constitute the most comparable pair of the continental systems available for analysis.<sup>107</sup>

Such inter-continental comparison presents a daunting intellectual challenge both because of the great variation of conditions from system to system and because of the interdisciplinary capacity, knowledge base, cultural sensitivity, and linguistic competence required of the analyst who ventures along this path. The methodological difficulties inherent in carrying out static or horizontal comparisons of continental systems are compounded by the vertical dynamic set up by the interaction of global, continental, federal, sub-national, and even municipal levels of government.

Intra-continental scholarship will always be more extensive than inter-continental comparisons: the costs of the former are far lower than the latter, and the benefits of the resultant learning are likely to be superior. It is not so much that contiguity is the mother of familiarity. Rather, it is that in intrasystemic analysis, the greater degree of contextual similarity allows research to proceed with fewer variables to be considered. However, intra-continental analysis needs to be supplemented by an inter-continental comparative capacity. Problems that may seem *sui generis* when only studied in their own context generally turn out to be less than unique when compared with the same issue in other systems. What is truly distinctive may only appear when elements common to both have been recognized.

We need to be cautious in drawing our conclusion. North America can be acknowledged as a continental system because of the proximity of its three members and the interdependence of their three economies. In practice it is really two

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<sup>106</sup> Christian Deblock and Dorval Brunelle, "De l'ALE à la ZLEA: le régionalisme économique dans les Amériques revisitée". Unpublished paper. n.d. 26 pages.

<sup>107</sup> Juan J. Palacios, "El nuevo regionalismo latinoamericano: el futuro de los acuerdos de libre comercio", *Comercio Exterior* 45:4 (April, 1995), 295-302.

overlapping, asymmetrical sub-continental systems, the Canadian-American and the Mexican-American, with the United States as central hegemon and Canada-Mexico relations remaining marginal. This is the configuration that CUFTA and NAFTA have “constitutionalized”, to use the concept popularized by Ronald Reagan when he called free trade an “economic constitution for North America.” The politics of NAFTA suggests that it has not achieved that legitimacy, sense of community, or commitment from its member-states that would give it a momentum towards further consolidation, whether in the direction of deepening or broadening. Besides, now in the shadow of the WTO, NAFTA appears doomed to secondary importance, either as an enforcer of old norms through dispute settlement or as a generator of new ones through multilateral negotiation.

Whether other new continental systems outside North America are even more fragile is a researchable issue. They are likely to find in NAFTA’s attributes of market integration, weak institutions, reluctance to give up formal sovereignty, wide cultural and social diversity, and low social cohesion characteristics that make it more relevant to their problems than is the EU’s heavy institutional integration.

A final note of caution is in order. We must be careful not to reify the continental phenomenon. There is little that is permanent, still less that is sacrosanct, in the membership or boundaries of a continental regime. To the extent that the new continentalism is basically the creation of transnational markets, continental regimes are vulnerable to the ever-changing organizational, technological, and managerial needs of capital. And to the extent that member states remain the chief repository of democratic legitimacy, they will continue to play the decisive political role in the new global architecture. But as regional groupings of states proliferate and consolidate, the field of comparative continentalism is likely to burgeon, providing endless grist for the voracious mills of a transatlantic social science increasingly willing to take up the intellectually transformative challenge of comparing apples with oranges.

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